

10 June 2026

Natural Gas: The Season Repriced



Natural gas has staged a notable rebound after one of the sharpest corrections in the recent years. After a steep correction from the January 2026 peak of \$7.72/MMBtu to a low of \$2.77/MMBtu in April, natural gas prices have stabilised and begun recovering. Henry Hub futures have climbed back above the \$3 mark as rising summer power demand, increasing LNG exports, and a narrowing storage surplus have progressively improved the market's medium-term outlook.

While the market is currently positioned between the end of the spring shoulder season (the mild spring period when neither heating nor cooling demand is strong enough to significantly draw on gas supplies) and the onset of peak summer demand, a period that has historically been associated with weaker natural gas consumption and seasonal price pressure, periodic profit-taking has emerged following recent gains. This has contributed to short-term volatility, although the broader fundamental backdrop continues to improve as LNG exports expand, power-sector demand strengthens, and storage balances gradually tighten..

Storage Surplus Narrows

Natural gas storage injections have come in below market expectations for three consecutive weeks, signaling that underlying demand is absorbing supply more efficiently than anticipated. The latest EIA report showed a storage build of 95 Bcf, below both the consensus estimate of 99 Bcf and the five-year average injection of 101 Bcf. While working gas inventories stood at 2,483 Bcf in late May, approximately 6.2% above the five-year average, the year-on-year surplus has narrowed sharply to just 21 Bcf from 142 Bcf in mid-April.

The recent trend of below-average storage injections suggests that underlying demand is growing faster than previously anticipated, steadily tightening the US natural gas balance despite record production levels. With inventory surpluses shrinking rapidly and summer cooling demand yet to fully materialize, the market is becoming increasingly vulnerable to weather-related demand spikes and further LNG export growth, creating a more constructive price outlook for the second half of 2026.

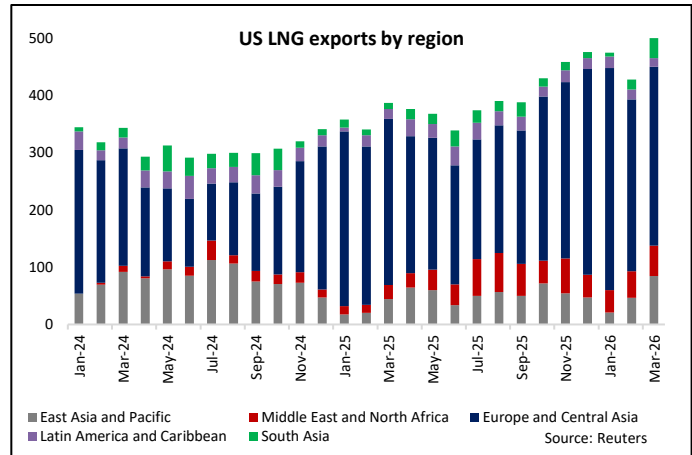
Summer Heat Boosting Power Sector Demand

Weather remains a key short-term demand catalyst for natural gas consumption. The recent rebound gained momentum following a supportive EIA storage report and increasingly warmer weather forecasts across key demand regions. Power-sector natural gas consumption has increased sharply from shoulder-season levels, with industry estimates indicating power burn approaching the upper-30 Bcf/d range in early June compared with averages near the low-30 Bcf/d range during May, as warmer weather boosts electricity demand for cooling.

Weather forecasters are also increasingly pricing in El Niño conditions emerging this summer, a pattern historically associated with hotter-than-average temperature extremes that could sustain elevated cooling demand well into September. The National Weather Service has additionally forecast a below-normal Atlantic hurricane season, reducing the tail risk of Gulf Coast demand destruction between June and November. Supportive weather projection amid growing LNG demand underpin a supportive outlook for Natural gas prices.

LNG Exports: The Dominant Structural Bullish Driver

LNG exports have become a key component of the U.S. natural gas market, with ongoing export capacity additions playing a significant role in shaping domestic supply and demand dynamics. Exports are expected to rise from around 15 Bcf per day in 2025 to approximately 17 Bcf per day in 2026, with capacity further increasing as Plaquemines LNG, Corpus Christi Stage 3, and Golden Pass complete commissioning and ramp.

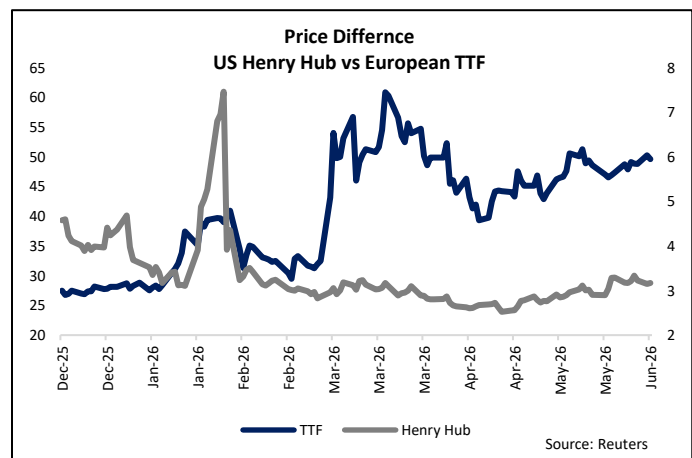
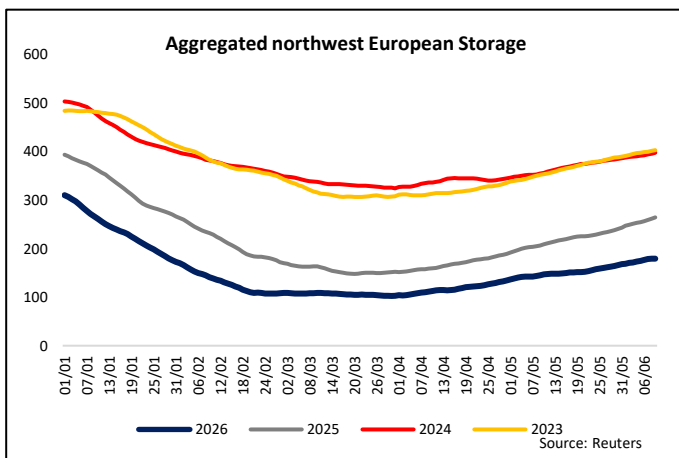


Installed export capacity could approach 19-20 Bcf/d over the next several years as recently commissioned projects achieve full utilization and remaining trains enter service. Golden Pass LNG exported its first cargo from Train 1 in April 2026, adding approximately 0.7 Bcf per day of export capacity and making it the ninth operational US LNG terminal. Trains 2 and 3 are commissioned over the next 12 months, which is further expected to increase LNG-related demand for U.S. natural gas.

Three additional liquefaction trains at Corpus Christi Stage 3 and Golden Pass are expected online by year-end, contributing a further 1.2 Bcf per day of feedgas demand. This wave of LNG capacity additions is expected to have a lasting influence on supply-demand balances beyond normal seasonal fluctuations.

Global Supply Disruptions Support International Prices

The ongoing conflict involving the Strait of Hormuz has materially disrupted global LNG trade flows, creating a pricing environment that provides sustained economic incentive for US exporters to operate at maximum capacity. European TTF prices are currently trading near \$15-17/MMBtu and Asian JKM benchmarks remain near \$18-\$19/MMBtu range, against a Henry Hub near \$3. The resulting price differential highlights the continued premium paid for natural gas in international markets relative to abundant U.S. domestic supplies which continues to attract U.S. LNG cargoes into international markets.



As Asian buyers seek alternative supplies and Europe continues rebuilding storage while reducing dependence on Russian gas, competition for available LNG cargoes is expected to remain strong ahead of the winter heating season. This supportive global pricing environment should help sustain robust demand for U.S. natural gas exports.

Data Centres: The Third Demand Pillar That Changes the Calculus

The rapid expansion of AI-driven data centres is emerging as a new structural source of natural gas demand in the United States. According to the IEA, global orders for gas-fired power plants reached a 25-year high of 130 GW in 2025, while U.S. gas-fired power investment nearly tripled to \$32 billion and is projected to exceed \$50 billion in 2026. The agency noted that if U.S. data centres were considered a country, they would rank as the world's second-largest destination for gas turbine orders between Q1 2025 and Q1 2026. As data centres require large amounts of reliable, uninterrupted electricity, natural gas is increasingly playing an important role in meeting this growing power demand. This trend is expected to support natural gas consumption over the coming years and further strengthen the market's long-term demand outlook.

Natural Gas market is currently backed by multiple independent structural demand forces, growing LNG export infrastructure, AI-driven power generation, a hotter climate baseline, and refuelling season. While these factors are simultaneously absorbing record production, the storage surplus that loomed over prices through the first quarter of 2026 is being steadily consumed. Global supply disruptions and strong international gas prices are further reinforcing demand for U.S. LNG exports, ensuring that incremental production is increasingly connected to higher-priced global markets.

Natural Gas prices have witnessed higher swings, based on the above factors buy on dips stance is suggested for the targets of ₹375 followed by ₹400 with a major support around ₹ 275.

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