
Positive economic data likely to support silver prices
Colder US temperature to keep natural gas prices higher

POSITIVE ECONOMIC DATA LIKELY TO SUPPORT SILVER PRICES

- ▲ Silver is currently trading near \$26.183, slightly higher from Friday's closing on the backdrop of positive economic data which is supportive for industrial metal demand.
- ▲ US Treasury Secretary Janet Yellen on Sunday stated that President Joe Biden's plans for infrastructure, jobs, and families will not cause immediate inflation. She said that the spending will be phased in over a decade.
- ▲ Dallas Federal Reserve Bank President Robert Kaplan on Friday called for beginning the conversation about reducing central bank support for the economy, warning of imbalances in financial markets, and arguing the economy is healing faster than expected. This is likely to keep precious metals under pressure.
- ▲ Meanwhile, China's gold consumption soared 93.9% in the first three months from the same quarter a year earlier according to China Gold Association.
- ▲ On the economic data front, US Mar personal spending rose +4.2% m/m, against expectations of +4.1% m/m and the biggest increase in 9 months. Also, Mar personal income rose a record +21.1% m/m (data from 1946), against expectations of +20.3% m/m. In addition, the Apr MNI Chicago PMI unexpectedly rose +5.8 to 72.1, against expectations of a decline to 65.0. Also, the final-April University of Michigan U.S. consumer sentiment index rose +1.8 to a 13-month high of 88.3, stronger than expectations of 87.5.
- ▲ Other global economic data were also supportive for industrial metals demand and silver prices. Eurozone Q1 GDP fell -0.6% q/q and -1.8% y/y, against expectations of -0.8% q/q and -2.0% y/y. Also, the Eurozone Mar unemployment rate fell -0.1 to a 9-month low of 8.1%, showing a stronger labor market than expectations of 8.3%. In addition, Japan Mar industrial production unexpectedly rose +2.2% m/m, against expectations of -2.0% m/m. Finally, the Japan Mar jobless rate unexpectedly fell -0.3 to an 11-month low of 2.6%, showing a stronger labor market than expectations of 2.9%.
- ▲ Additionally, Eurozone factory activity growth reached a record high in April which is boosted by surging demand, driving a swell in hiring although supply-side constraints led to an unprecedented rise in unfulfilled orders. IHS Markit's final Manufacturing Purchasing Managers' Index (PMI) rose to 62.9 in April from March's 62.5. Silver prices found support on the back of positive PMI data in the eurozone.
- ▲ However, recovery in the US dollar index and the United States 10-Year Bond Yield is likely to cap the gains. The dollar index bounced from a low of 90.398 registered on April 29 and holding near 91.188 after registering a high of 91.385 in the early hours today. The US 10-Year Bond Yield is currently trading near 1.626, which is sharply higher from a recent low of 1.531 registered on April 23.
- ▲ According to the CFTC Commitments of Traders report for the week ended April 27, net long for silver futures increased by 1160 contracts to 42841 for the week. The speculative long position gained by 1213 contracts, albeit shorts also gained by 53 contracts.

Outlook

- ▲ Silver prices are rallying on increasing economic optimism from positive economic data across the globe. It is likely to trade firm while above 50 days EMA of \$25.86 200 days EMA of \$24.885

COLDER US TEMPERATURE TO KEEP NATURAL GAS PRICES HIGHER

- ▲ Natural gas is currently trading near \$2.968, the highest level in nine weeks on colder weather in the US which increased heating demand and is supportive for NG prices. The Weather Company is expecting lower-than-normal temperatures across the central and eastern US from May 5-9.
- ▲ Natural gas prices also finding support from robust export demand for several weeks. As per Bloomberg data, Gas flows to US LNG export terminals on Friday rose +44% y/y to 11.4 bcf.
- ▲ Domestic heating is also increasing due to changes in weather conditions in the US. As per Bloomberg, Natural gas demand on Friday rose +1.8% y/y to 59.9 bcf. Also, US electricity output in the week ended April 24 rose +4.7% y/y to 67,705. Natural Gas is also used in electricity production.
- ▲ On the Inventory front, as per EIA report US inventories in the week ended April 23 rose +15 bcf to 1,898 bcf, against expectations of an +11 bcf increase. However, Inventories are down -14.1% y/y and are -2.1% below their 5-year average.
- ▲ Meanwhile, the number of active US Natural Gas drilling rigs in the week ended April 30 rose by +2 rigs to a 1-year high of 96 rigs Baker Hughes reported rigs data on Friday.

Outlook

- ▲ Natural Gas prices which are trading near \$2.968 is likely to trade firm while above key support level of 20 days EMA at \$2.780 and 200 days EMA at \$2.589 while it may face stiff resistance near \$3.111 and \$3.235

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