
Silver prices are likely to trade firm

Nickel found support from a potential investment discussion between Tesla and Indonesia

Tropical storm Delta may disrupt NG production

SILVER PRICES ARE LIKELY TO TRADE FIRM

- ▲ Silver prices on Monday rallied to 2-week highs of \$24.672, after the Dollar Index dropped to a 2-week low. Silver prices also found support from positive global economic data. Meanwhile, geopolitical tensions from an escalation of conflict between Azerbaijan and Armenia also lifted the bullion prices.
- ▲ On economic data front, US September ISM Services Index unexpectedly rose +0.9, to 57.8, stronger than expectations of -0.7, to 56.2. Also, the Eurozone September Markit Composite PMI was revised upwards by +0.3, to 50.4. In addition, Eurozone August retail sales rose +4.4% m/m, stronger than expectations of +2.5% m/m.
- ▲ Dovish ECB comments are keeping bullion prices higher. Goldman Sachs has said that the ECB might boost its QE program by 400 billion euros (\$470 billion) at the December ECB policy meeting, and that the ECB is likely to extend the emergency asset-purchase operation (PEPP) by six months, through the end of 2021.
- ▲ Dovish comments on Monday from Chicago Fed President, Evans, also supported bullion demand. He said that "inflation is going to be weak," and there are questions about the pace of US economic activity going forward.
- ▲ According to the CFTC Commitments of Traders report for the week ended September 29, silver futures' net long positions gained +1,783 contracts to 40,730. Speculative long positions dropped by -378 contracts, while short positions dropped by -2,161 contracts.

Outlook

- ▲ Silver prices are expected to trade firm, while above the crucial support levels at the 100-days EMA at \$23.58. Meanwhile, critical resistance could be seen at \$25.21-25.75 levels. Stimulus hopes from the US, positive economic data from the US, and the Eurozone, and dovish FED and ECB comments are likely to keep silver prices firm.

NICKEL FOUND SUPPORT FROM A POTENTIAL INVESTMENT DISCUSSION BETWEEN TESLA AND INDONESIA

- ▲ Nickel prices are trading near the 14,632 level, which is more than 4% higher from last week's lows of 14,047, on positive economic data from Europe, and the US, and a potential investment discussion between Tesla and Indonesia.
- ▲ Indonesia is keen to develop a full supply chain for nickel, for extracting battery chemicals, and building electric vehicles. It has stopped exports of unprocessed nickel ore early this year, in order to support investment in its domestic industries. As per a Reuters report, Ayodhia Kalake, a senior official at the Coordinating Ministry for Maritime and Investment, has said that Tesla had reached out to the government informally about a possible venture, but he did not specify what it had in mind. Tesla is looking to ramp up production of trucks and solar projects, and its boss, Mr. Elon Musk, earlier this year, urged miners to produce more nickel and offered "giant", long-term contracts, if mined "efficiently and in an environmentally sensitive way".
- ▲ Monday's global economic data, US ISM Services Index, and Eurozone retail sales were better-than-expected and were bullish for Nickel prices.

- ▲ LME Nickel warehouse stock till Monday was at 236,172mt, which has dropped by -462 mt in the last one month, but was still up by +103,044 mt in the last one year.

Outlook

- ▲ Nickel prices are likely to continue their positive move, while above the key support level of the 50-days EMA of \$14,456. Meanwhile, a critical resistance could be seen around \$14,895-\$15,136 levels. Optimism over recovery in the Chinese economy, and positive US, and Europe data, are likely to provide support to prices of base metals.

TROPICAL STORM DELTA MAY DISRUPT NG PRODUCTION

- ▲ Nymex November Natural Gas prices on Monday, rallied on the back of concerns that Tropical Storm Delta will strengthen into a hurricane, as it moves through the Gulf of Mexico. It may force producers to halt production in the Gulf. Tropical Storm Delta could strengthen to a Category 3 hurricane, and make landfall on Friday, between Louisiana and Florida.
- ▲ According to the CFTC Commitments of Traders report for the week ended September 29th, NET long in Natural Gas futures at NYMEX was up 2,121 contracts to 48,286 for the week. Speculative long positions dropped by -15,554, while speculative short positions dropped by -17,675 contracts.
- ▲ Baker Hughes reported last Friday that the number of active U.S. natural gas drilling rigs in the week ended October 2, fell by -1 rig to 74 rigs, modestly above the record low of 68 rigs posted in the week ended July 24.
- ▲ Meanwhile, gas flows to U.S LNG export terminals on Monday were 8.1 bcf, up +28% w/w.
- ▲ BNEF data shows total U.S. natural gas consumption on Monday was 63.7 bcf, down -2.8% y/y.
- ▲ Natural Gas consumption may also drop further, as Maxar (a data agency) on Friday, forecast above-normal temperatures across most of the U.S. from October 7-16. Maxar has also said that current warm weather in the West would stretch into the Midwest next week, and blanket most of the U.S. states from October 11-15.
- ▲ A decline in U.S. electricity output shows reduced demand from electricity providers. U.S. electricity output for the 52-week period, ending September 26, was down -2.7% y/y at 3,944,485 GWh.
- ▲ US production continues to be weak, which is supportive of natural gas prices. US Natural gas production, on Monday, was down -7.9% y/y, at 86.028 bcf/d, according to Bloomberg data.

Outlook

- ▲ Nymex Natural Gas November expiry contract is likely to find support, due to lower US production, and the upcoming storm on gulf of Mexico. It may find key support around the 10-days EMA at \$2.450, while an immediate resistance could be seen around \$3.027 levels. However, demand concerns are likely keep a lid on the prices.

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