
Copper prices to stay firm while above \$9228
The positive trend to continue in Natural gas

COPPER PRICES TO STAY FIRM WHILE ABOVE \$9228

- LME 3 M Copper prices are trading near \$9434 which fell from the recent high of \$9494.75 registered on June 30th following weak manufacturing data from China. As per the official report from the National Bureau of Statistics, China's June manufacturing Purchasing Manager's Index (PMI) eased slightly to 50.9 versus 51.0 from May however it was marginally better than the expectation of 50.80. Growth was slowed mainly because of a shortage of raw material. Additionally, the shortage of coal supply in China's southern regions, which started in mid-May, hit factory operations as well.
- A stronger dollar is also keeping commodities prices under pressure. The dollar index on Wednesday rallied to a 2-1/2 month high on the backdrop of safe-haven demand from the spread of the dangerous Delta Covid variant throughout the world.
- However, positive economic data from the US is likely to support industrial metals demand and copper prices. The US June ADP employment report rose +692,000 against expectations of +600,000. Also, May pending home sales unexpectedly rose +8.0% m/m, stronger than expectations of a -1.0% m/m decline and the largest increase in 11 months. However, the Jun MNI Chicago PMI fell -9.1 to a 4-month low of 66.1, against expectations of 70.0.
- Copper prices are also under pressure from a fresh rise in the Delta variant of covid cases. The overall global Covid-19 caseload has topped 182 million, while the deaths have surged to more than 3.94 million, according to Johns Hopkins University. Over the past week, 11 more countries detected their first Delta (B1617.2) variant cases, lifting the total to 96 countries.
- Meanwhile, LME Copper inventory now stands at 211975mt as of July 1st, have increased nearly 91275mt in the last 30 days which is a nearly 76% change in one month. However, SHFE copper inventory has dropped by 52266mt in the last 30 days and now stand at 99334mt as of July 1st.

Outlook

- Copper prices are likely to stay firm while above the key support level of \$9228-9135 however it is likely to face stiff resistance near 20 days EMA at \$9571 and 50 days EMA at \$9619.

THE POSITIVE TREND TO CONTINUE IN NATURAL GAS

- Natural Gas prices are currently trading near \$3.739 with support from a positive domestic demand outlook, increasing exports and increasing electricity output to meet air cooling demand in the US. The Commodity Weather Group said that heat wave will expand to Midwest and Northeast next week. Additionally Weather data agency Maxar said on Monday that above-normal temperatures are expected in the Northwest from July 3-7, and above-normal temperatures are expected across the northern half of the US from July 8-12.
- Natural Gas prices are likely to find support from increasing domestic and export demand along with increasing electricity output in the US. As per Bloomberg data, US natural gas

demand on Wednesday was 71.2 bcf, up +3.8% y/y. Gas flows to U.S LNG export terminals on Wednesday were 11.2 bcf, up +7.9%. US electricity output in the week ended June 26 rose +2.1% y/y to 85,364 GWh (gigawatt hours).

- ▲ However, increasing in domestic gas production is likely to keep a lid on prices. As per Bloomberg data, US gas production on Wednesday was up +3.9% y/y at 91.241 bcf/d.
- ▲ Meanwhile, Fitch Solutions on Monday increased its 2021 US natural gas price forecast to \$3.2/mmbtu from a prior forecast of \$2.75. As per Fitch Solution Natural gas prices are rallying up due to a sharp decline in storage levels, high power demand, and strong LNG exports.
- ▲ Natural Gas prices are likely to get fresh direction from the weekly inventory report which is scheduled to release later today. The market expects inventories to climb by 68 bcf. US natural gas inventories in the week ended June 18 rose +55 bcf to 2,482 bcf, against expectations of +64 bcf. Current natural gas inventories are down -17.6% y/y and -5.8% below their 5-year average.
- ▲ According to the CFTC Commitments of Traders report for the week ended June 22 net short for natural gas futures dropped by 2,598 contracts to 105,098 for the week. Speculative long position increased by 4,371 contracts, while shorts added 1,773 contracts.
- ▲ Baker Hughes reported on Friday that the US natural gas drilling rigs in the week ended June 25 rose by +1 rig to 98 rigs. US gas rigs are well above the record low of 68 rigs posted in July 2020.

Outlook

- ▲ Natural Gas prices are likely to trade firm while above the key support level of \$3.689-\$3.564 while immediate resistance is seen near \$3.899-\$3.984

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