
Hurricane Laura has reduced the export demand for Natural Gas
Robust uptrend seen in Nickel
Silver prices rallied on better-than-expected economic data

HURRICANE LAURA HAS REDUCED THE EXPORT DEMAND FOR NATURAL GAS

- ▲ Natural Gas prices on Nymex for Oct month expiry contract, registered a moderate drop on Monday, due to loss of export demand, due to Hurricane Laura. NG prices found additional pressure from cooler weather forecast in the US, which will reduce electricity demand for air-conditioning.
- ▲ According to the commodity weather group report last Friday, there is a forecast for a cooler outlook from 2nd September to 11th September.
- ▲ Weakness in the US Dollar Index against other currencies is limiting the losses in NG prices.
- ▲ According to a Bloomberg report, US natural gas production continues to be weak, which will be supporting NG prices in the near term. US dry gas production in 48 states on Monday was down -9.1% y/y, at 84.437 bcf/d.
- ▲ Meanwhile, natural gas drilling rigs in the week ended 28 August rose by +3 rigs, to 72 rigs, modestly above the record low of 68 rigs, which were posted in the week ended 24 July.
- ▲ As per CFTC Commitments of Traders report for the week ended 25 August, the net long in Natural Gas futures rose by 5,412 contracts, to 13,638 for the week.

Outlook

- ▲ Nymex Natural gas prices are likely to find stiff resistance near \$2.74 and \$2.85 levels, due to changing weather conditions, and reduction in export demand in the US. Meanwhile, crucial support levels could be seen around the 20-days EMA at \$2.40, and the 50-days EMA at \$2.158.

ROBUST UPTREND SEEN IN NICKEL

- ▲ The upside momentum for Nickel continues, as the metal continues to rise, and is trading at the highest level since November, 2019, on the LME. Nickel looks set for a further rise in the near term, after achieving our previously mentioned targets of \$15,100 & \$15,300.
- ▲ The sentiment for base metals is buoyant, as the dollar continues to weaken, following the US Federal Reserve's policy shift on inflation, thus helping metals rise further. China's Manufacturing PMI (Purchasing Manager's Index) expanded in August, 2020 to 51.0, against the expected 51.20.
- ▲ On the inventory side, inventory at SHFE increased by 19%, from 27,538 mt, on 1st April, 2020, to 32,665 mt, on 31st August, 2020, while at LME, the inventory increased by 3%, from 174,108 mt, to 178,920 mt, during the same time period. Parity, which is the difference between the SHFE and the LME (in terms of Yuan), after calculating for VAT and the currency, is currently trading at 1,223 Yuan.

Outlook

- ▲ Nickel continues to rise, as the trend remains positive, with the metal trading above the short-term moving averages. We can expect nickel to rise towards \$15,780 & \$15,900 levels, while support is seen around \$15,230 & \$15,000 levels.

SILVER PRICES RALLIED ON BETTER-THAN-EXPECTED ECONOMIC DATA

- ▲ Silver prices found support due to decline in the Dollar Index to a 2-1/4 year low, along with dovish Fed comments. Silver prices also rallied higher on better-than-expected global economic data.
- ▲ Deflation concerns in Europe are also dovish for ECB policy, and supportive of bullion prices.
- ▲ On the economic data front, German Aug CPI (EU harmonized), unexpectedly fell -0.1% y/y, weaker than the expectations of +0.1% y/y, and the first year-on-year decline in 4-1/4 years. Monday's global economic data was mostly for industrial metals demand and silver prices. The U.S. Aug Dallas Fed manufacturing outlook rose +11.0, to a 1-1/2 year high of 8.0, stronger than expectations of +3.0 to 0.0. Also, China's Aug non-manufacturing PMI rose +1.0 to 55.2, stronger than expectations of unchanged at 54.2. Also, Japan's July industrial production rose by a record +8.0% m/m, stronger than expectations of +5.0% y/y, and the highest increase since the data series began in 1978. Meanwhile, China's Aug manufacturing PMI unexpectedly fell -0.1 to 51.0, weaker than the expectations of 51.2.

Outlook

- ▲ Silver prices are likely to find support from positive economic data due to its industrial usages. Immediate support levels could be seen around the 10-days EMA at 27.81, and the 20-days EMA at 27.09 for the short term. Critical resistance level could be seen near 29.76.

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