
Renewed concerns about price controls in China to keep copper prices lower

Hot weather forecast to keep Natural gas prices up

RENEWED CONCERNS ABOUT PRICE CONTROLS IN CHINA TO KEEP COPPER PRICES LOWER

- ▲ LME Copper 3M Contract is currently trading near \$9800 per mt, sharply lower from last month high of \$10746 per mt registered on May 10th. Renewed concerns about price controls in China have punished copper prices in the last two days.
- ▲ China's state planner renewed its pledge to step up monitoring of commodity prices and strengthen supervision of spot and futures markets, as domestic producer inflation hit its highest in more than 12 years. China May PPI rose +9.0% y/y, stronger than expectations of +8.5% y/y and the biggest increase in 12-1/2 years.
- ▲ On the global economic data front, Japan May machine tool orders revised upward to +140.7% y/y from the previously reported +120.8% y/y, the largest increase in 10-3/4 years. However, German Apr exports rose +0.3% m/m, against expectations of +0.5% m/m. Also, German Apr imports fell -1.7% m/m, weaker than expectations of -1.1% m/m.
- ▲ Copper prices are likely to find support from strong economic data from China. China's exports grew by 27.9 per cent in May compared with a year earlier. China's imports grew by 51.1 per cent last month, the fastest import growth since January 2011.
- ▲ However, Copper prices are likely to get fresh direction from the ECB meeting later today along with US Inflation numbers which are important for the US Federal Reserve to decide on Interest rates and monetary stimulus.
- ▲ Copper LME warehouse stock has marginally changed in the last one month from 123200mt to 127200mt as of 9 June 2021.

Outlook

- ▲ Copper prices are likely to trade negatively due to renewed concerns about price controls in China. It may find stiff resistance around \$10200 per mt while it is likely to the immediate support level around 50 days EMA at \$9734 per mt & 100 days EMA at \$9203 per mt.

HOT WEATHER FORECAST TO KEEP NATURAL GAS PRICES UP

- ▲ Natural Gas prices are trading sharply higher for the last three weeks on the expectation of increasing domestic consumption in the US due to cooling demand. NG prices are hovering near 3.160 today which is sharply higher from the recent low of 2.832 registered on May 24th.
- ▲ Weather forecasting agency Maxar said that record heat is expected in the West from June 14-18, and above-average temperatures are seen from the West into the Southeast from June 19-23.
- ▲ However, domestic natural gas demand is still weak, on Wednesday demand fell by -0.8% y/y to 65.5 bcf.
- ▲ EIA mentioned in the short term energy outlook that US natural gas production estimate to 92.18 bcf/day from a May forecast of 91.06 bcf/day. An increase in production is likely to keep a lid on gas prices.

- ▲ A drop in export demand is also negative gas prices. As per Bloomberg data Gas flows to US LNG export terminals on Wednesday were 8.8 bcf, down -19% w/w.
- ▲ US electricity output also dropped last week. As per the report from the Edison Electric Institute, output in the week ended June 5 fell -4.0% y/y to 74,653 GWh (gigawatt hours).
- ▲ As per Bloomberg data US gas production on Wednesday was up +3.6% y/y at 90.838 bcf/d.
- ▲ Natural Gas prices are likely to get fresh direction later today from EIA weekly inventory report. On the inventory front, Last week EIA reported that natural gas inventories in the week ended May 28 rose +98 bcf to 2,313 bcf, against market expectations of a +95 bcf increase. Current inventories are down -14.8% y/y and -2.6% below their 5-year average. The consensus for inventories is to climb by +99 bcf last week.
- ▲ As per Baker Hughes report, the number of active natural gas drilling rigs in the US in the week ended June 4 fell by -1 rig to 97 rigs, however, it is still well above the record low of 68 rigs posted in July 2020.
- ▲ According to the CFTC Commitments of Traders report for the week ended June 1, net short for natural gas futures increased by 11403 contracts to 87431 for the week. Speculative long position increased by 8075 contracts, while shorts added by 19478 contracts.

Outlook

- ▲ Natural Gas July month expiry contract is likely to trade firm while above the key support level of 20 days EMA of 3.036 and 50 days EMA of 2.937 while it may find stiff resistance around 3.224-3.299

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