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Silver to find support near \$28.13 level  
Natural Gas prices to remain firm  
Nickel nearing a support zone

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## SILVER TO FIND SUPPORT NEAR \$28.13 LEVEL

- Silver prices rallied to a high of \$29.52, and are now holding near the \$28.90 level. The prices have rallied nearly 66% this year alone, due to safe-haven demand in the precious metals segment, weakness in the US Dollar, and the Coronavirus pandemic.
- On the economic data front, Japan's current account surplus narrowed to its lowest level in five years in June, as exports took a hit due to the coronavirus-induced destruction of global demand conditions. The current account surplus was JPY 167.5 billion (\$1.58 billion), the smallest monthly surplus since January, 2015.
- The ISM Manufacturing PMI for July came in at 54.2, vs expectations of 53.6, while ISM Non-Manufacturing PMI for the same month beat consensus estimates of 55.0, and hit 58.1.
- NFP data released last week have provided support to bullion. The data beat analyst consensus of 1.600mln to print at 1.763mln, the unemployment rate fell to 10.2%, from 11.1%.
- The COVID-19 pandemic is still not under control in the US, and cases are rising globally. Worldwide, cases crossed the 20 Million mark, and an effective vaccine is yet to be found.
- US CPI could provide some direction to bullion this week. CPI could move slightly higher, due to weakness in the US Dollar. The market expectation at the moment is around 1.2% year-on-year. The Federal Reserve's target is 2%, and any move closer to that number could mean more USD strength, and therefore would be negative for bullion prices.
- Meanwhile, CFTC data for the last week suggested that Silver futures' net long positions rose by 2 581 contracts to 29 889.

### Outlook

- Silver prices have corrected from the recent highs, and \$30.00 becomes the key upside barrier, just above the resistance of \$29.30. Silver may find an immediate support around the 5-Days EMA at \$28.138, and the 10-days EMA at \$27.131.

## NATURAL GAS PRICES TO REMAIN FIRM

- Natural Gas prices are trading in a thin range between \$2.11-\$2.27 this week. The prices have rallied nearly 33% from the March'20 lows of \$1.64. Natural Gas prices rallied on expectations that energy demand will rise as the economy rebounds, when state governments lift more coronavirus-linked lockdowns.
- According to the CFTC data, speculators reduced their short positions last week, and increased long positions on the NYMEX for an eighth week in a row to their highest since November 2018. Net shorts for Natural gas futures plunged by 11 099 contracts to 7 595 contracts for the week.
- Data provider Refinitiv has said that the average U.S. production rose to 88.7 billion cubic feet per day, from 88.1 bcfd in July, which is still well below November's all-time monthly high of 95.4 bcfd.
- US Natural Gas exports in August were on track to rise for the first time in six months. Pipeline gas flowing to the plants climbed to 4.1 bcfd in August, from a 21-month low of 3.3 bcfd in July, when buyers cancelled dozens of cargoes - the most in a month.

## Outlook

- Natural Gas prices are likely to remain firm on strong cooling demand during summer in the US. Natural Gas prices may find an immediate resistance near \$2.246 and \$2.33 levels, while key support levels are seen around the 10-Days EMA at \$2.10, and the 20-Days EMA at \$1.99.

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## NICKEL NEARING A SUPPORT ZONE

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- Nickel corrected after rising to its highest level since November 2019, as the demand outlook for the metal has improved, due to demand in China, and an improvement in demand from the automobile industry. However, the market is eyeing US stimulus along with US-China tensions for further cues.
- China, in the month of July, produced 14,600 mt of refined nickel in July down 3.05%, from June 2020, however this was up 15.73% on a year-on-year basis. With industries running near pre-pandemic levels, normalcy in production is returning swiftly.
- On the inventory side, inventory at SHFE increased by 19%, from 27,538 mt, on 1st April 2020, to 32,828 mt on 10th August 2020, while at LME, the inventory increased by 3.49%, from 174,108 mt, to 180,192 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 572 Yuan.

## Outlook

- Nickel is experiencing an organic correction, after rising steadily and touching highs seen in November 2019. We can expect nickel to rebound after taking support at \$14,000 & \$13,750 levels, which are its significant support levels, while resistance is seen around \$14,400 & \$14,650 levels.

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