
Cooler weather conditions are likely to keep Natural Gas prices firm
Silver is likely to trade firm while above \$25.52

COOLER WEATHER CONDITIONS ARE LIKELY TO KEEP NATURAL GAS PRICES FIRM

- ▲ Natural Gas March expiry contract is currently trading near \$2.98, ahead of the weekly inventory report today. The market expects a drop of 184 bcf. Current Natural Gas inventories are up +3.1% y/y, and are +7.9% above the 5-year average. Inventories for the week of January 29 fell -192 bcf, to an 8-1/4 month low of 2,689 bcf.
- ▲ The Commodity Weather Group on Wednesday said that cooler-than-normal temperatures in the U.S. would extend until at least through February 19. Natural Gas prices are likely to trade firm on much cooler than normal weather forecast. However, the Commodity Weather Group has forecasted that the current Arctic temperatures in the U.S. would recede between February 20-24.
- ▲ According to the Short-Term Energy Outlook (STEO) report, the EIA Average Natural Gas spot prices at Henry Hub are expected to rise to \$2.98/MMBtu this month, a 27-cent increase over January prices, and sharply higher than the \$2.59 December average.
- ▲ Natural gas prices are likely to trade firm, on the back of robust export demand, domestic consumption, and slower production. As per Bloomberg data, Gas flows to U.S LNG export terminals on Tuesday rose +21% y/y, to 10.6 bcf. Natural Gas demand on Wednesday rose +12% y/y, to 104.4 bcf. US electricity output in the week ended February 6 rose +5.9% y/y, to 79,582 GWh (gigawatt hours). US gas production on Wednesday was down -4.7% y/y at 89.397 bcf/d.

Outlook

- ▲ Natural Gas prices are likely to trade firm, while above the key support level of the 20-days EMA at \$2.78, and the 50-days EMA at \$2.62, while immediate resistance is seen around \$3.12-\$3.26 levels.

SILVER IS LIKELY TO TRADE FIRM WHILE ABOVE \$25.52

- ▲ Silver prices are currently trading near \$27.20, following positive move in Gold prices in the backdrop of Dovish comments from Fed and ECB Chair.
- ▲ Dovish Comments from Fed chairman were supportive for precious metals demand. He said that the U.S. job market remains "a long way from a full recovery", and called for a broad national effort to get Americans back to work post-COVID-19, during a speech on Wednesday.
- ▲ Precious metals also found support from dovish comments from ECB President, Lagarde, when she said "we're very far away" from the ECB's current inflation target of just under 2% and the ECB must continue with its accommodative monetary policy. ECB Governing Council member, Hernandez de Cos, said "ample monetary stimulus continues to be essential", as the Eurozone economic recovery is fragile, and faces downside risks, because of uncertainty about the evolution of the pandemic.

- ▲ On the economic data front, the U.S. January core CPI rose by only +1.4% y/y, against expectations of +1.5% y/y. The Chinese January CPI fell -0.3% y/y, against expectations of unchanged y/y. Also Japan's Jan PPI fell -1.6% y/y. A modest rise in January's U.S. consumer prices is seen, which is positive for precious metals, as used for a hedge against inflation.
- ▲ However, poor manufacturing data is likely to keep a lid on Silver prices. French December manufacturing production fell -1.7% m/m, weaker than expectations of -0.3% m/m, and French December industrial production unexpectedly fell -0.8% m/m, weaker than expectations of +0.4% m/m.
- ▲ Meanwhile, global demand for silver is expected to rise to 1.025 billion ounces in 2021, according to a report published by the Silver institute, which predicts that purchases of bars and coins would rise to a six-year high of 257 million ounces in 2021. Silver industrial demand will rise 9%, from 2020 levels, to a four-year high of 510 million ounces, and demand for silver for jewellery will rise to 174 million ounces, however it will remain below levels seen before the pandemic. Silver mine production is expected to rise to 866 million ounces in 2021.

Outlook

- ▲ Silver prices are likely to trade firm, while above the 100-days EMA at \$25.52, while key resistance levels are seen around \$27.90 and \$28.20 levels.

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