
A vortex developing in the Arctic has pushed Natural Gas prices higher
Strength in the Dollar Index to keep gains limited in Silver
Copper prices to find support at \$7,864 per mt

A VORTEX DEVELOPING IN THE ARCTIC HAS PUSHED NATURAL GAS PRICES HIGHER

- ▲ Natural Gas prices rallied higher, on the back of concerns that a polar vortex developing in the Arctic, could blanket the U.S. towards the end of this month. Increasing domestic demand in the US, and export demand are likely to keep Natural Gas prices supported for the next couple of weeks.
- ▲ However, warmer weather forecast is likely to keep a lid on prices. The Commodity Weather Group, on Monday, has said that above-average temperatures are expected from New York to California over the next two weeks. This is likely to reduce heating demand. Also, data agency, Maxar, is predicting this winter to be the 13th warmest winter for energy demand, going way back to 1950. Also, the Climate Prediction Center has said that this year's La Nina weather pattern would lead to warmer-than-normal winter temperatures from California to Florida.
- ▲ However, US domestic natural gas demand is supporting Natural Gas prices, and on Monday domestic demand rose +16% y/y, to 97 bcf.
- ▲ Export demand is also providing additional support to the prices. As per Bloomberg data, gas flows to US export terminals on Monday rose +22% y/y, to 10.8 bcf. On December 13, gas flows to LNG export terminals rose to a record high of 11.6 bcf (data from 2014).
- ▲ According to Bloomberg data, US gas production on Monday is down -4.6% y/y, to 90.07 bcf/d.
- ▲ Last Thursday's weekly EIA report showed that Natural Gas inventories in the week of January 1, fell -130 bcf, to 3,330 bcf, against the expectations of -135 bcf. Natural Gas Inventories are up +5.8% y/y, and are +6.4% above the 5-year average.
- ▲ Meanwhile, Baker Hughes reported, last Friday, that the number of active U.S. natural gas drilling rigs in the week ended January 8, rose by +1 rig, to an 8-1/2 month high of 84 rigs.

Outlook

- ▲ Natural gas Feb month expiry contract prices are likely to find support at the 50-days EMA at \$2.65, and the 100-days EMA at \$2.57, while key resistance is seen around \$2.93-\$3.06 levels.

STRENGTH IN THE DOLLAR INDEX TO KEEP GAINS LIMITED IN SILVER

- ▲ Silver on Monday closed with moderate gains, after a drop in equities boosted safe-haven demand for precious metals.
- ▲ The Dollar Index struggles to extend the recovery, and is holding in a range near 90.70. US yields remain the key driver behind the recent move in the dollar. The 10-year T-note yield, on Monday, climbed to a new 9-1/2 month high of 1.136%. Strength in the Dollar Index is limiting the gains in precious metals.
- ▲ On the economic data front, China's December CPI rose +0.2% y/y, stronger than expectations of unchanged y/y. Also, China's December PPI fell -0.4% y/y, stronger than expectations of -0.7% y/y, and the smallest pace of decline in 10 months.

- ▲ Silver prices are likely to find support, over increasing optimism that Democratic-controlled Congress will pass new deficit-expanding fiscal stimulus measures. Last Friday, President-elect Biden has said that his stimulus package price tag would be "high", and in the trillions of dollars. President-elect Biden has also said that he plans to release details of his stimulus plans this Thursday.

Outlook

- ▲ Silver prices are likely to find stiff resistance near \$26.31-\$27.40 levels, while immediate support levels could be seen around the 100-days EMA at \$24.69, and the 200 days EMA at \$23.48.

COPPER PRICES TO FIND SUPPORT AT \$7,864 PER MT

- ▲ LME Copper prices recovered from earlier losses, and are holding near \$7,670, with moderate gains from the previous session. Copper prices fell yesterday, after China reported 55 new virus infections on Monday. This is increasing concerns that China-led demand recoveries might be dampened, after restrictions are imposed to curb the outbreak.
- ▲ On economic data front, the Producer Price Index (PPI) eased 0.4% from a year earlier, the National Bureau of Statistics said in a statement. The index was expected to decline by 0.8%, according to a median forecast in a Reuters poll, after a 1.5% drop in November. Monthly PPI rose at its fastest pace in four years.
- ▲ Consumer prices rose in December, due to higher food prices. The Consumer Price Index (CPI) increased 0.2% from a year earlier, against expectations in a Reuters poll for a 0.1% rise, and bringing full-year consumer price inflation to 2.5% in 2020. The index had eased 0.5% in November, the first fall since 2009.
- ▲ Rio Tinto-controlled Turquoise Hill Resources has said that Mongolia's government was considering terminating the companies' underground expansion of their Oyu Tolgoi copper mine project, due to rising development costs. This news is supportive for copper prices.
- ▲ Copper stock at SHFE has dropped nearly 39,013 mt in the last one year, and now stands at 26,019 mt. as on 12th January, 2021. Meanwhile, copper stock at LME has dropped nearly 49,225 mt in the last three months, and now stands at 103,750, as on 12th January, 2021.

Outlook

- ▲ Copper prices are likely to trade firm, while remaining above the key support level of the 20-days EMA of \$7,864 per mt, and the 50-days EMA of \$7,572 per mt. Meanwhile, key resistance is seen near \$8,145-\$8,243 per mt.

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