
Positive economic data to support copper prices
Export demand and colder temperature to support NG prices

POSITIVE ECONOMIC DATA TO SUPPORT COPPER PRICES

- LME 3M Copper is currently trading near \$8,900 per mt which has bounced from yesterday's low of \$8,800 per mt, however, the price is still trading very far from the recent high of \$9,615.50 per mt registered on February 25.
- Copper prices are likely to find support from positive economic data from China. The country's customs agency said on Tuesday that in dollar terms, exports rose 30.6% in March from a year ago, missing expectations for growth of 35.5%. However, customs spokesperson Li Kuiwen said that last year's high base poses challenges for trade in the second quarter. Last year, Chinese factories were able to resume production far earlier than those in other countries still struggling with the pandemic.
- Base metals prices also found support from the latest release of economic data in the UK. The U.K. economy rebounded in February as a mass vaccination program and the prospect of a loosening of coronavirus restrictions lifted consumer confidence. UK Gross domestic product rose 0.4% following a revised 2.2% decline in January. Britain is emerging from its third national lockdown with consumers and businesses increasingly optimistic about a rapid recovery from the worst recession in three centuries.
- Other positive global economic data is also likely to support base metal prices. Eurozone Feb retail sales rose +3.0% m/m, against expectations of +1.7% m/m and the biggest increase in 6 months. Also, Japan Mar machine tool orders jumped +65.0% y/y, the largest increase in 10 years. Japan Mar PPI rose +1.0% y/y against expectations of +0.5% y/y and the fastest pace of increase in 14 months.
- On the inventory front, Copper inventory at the LME warehouse has increased by 80.3% or 75,050 mt in the last 30 days and now stands at 168,500 mt as of April 13. Copper inventory at the SHFE warehouse has increased by 25.3% or 23,906 mt in the last 30 days and now stands at 118,417 mt as of April 13. Increasing inventory at LME and SHFE in the last month is indicating poor physical demand.
- However rising number of covid cases globally limits the gain in copper. The overall global Covid-19 caseload has topped 136.4 million, while the deaths have surged to more than 2.94 million, according to the Johns Hopkins University.

Outlook

- LME 3M Copper prices are likely to find a strong support base around 50 days EMA at \$8,730 per mt and 100 days EMA at \$8,299 per mt. Copper prices are likely to remain firm on the backdrop of positive global economic data however the rising number of covid cases globally may limit the gains. It may find stiff resistance near \$9,006 and \$9,076 per mt.

EXPORT DEMAND AND COLDER TEMPERATURE TO SUPPORT NG PRICES

- Natural Gas prices which are currently trading near \$2.547 with moderate losses from the previous session are likely to find support export demand and colder temperature forecast in the US, colder temperature increases heating demand. The Commodity Weather Group is expecting below-normal temperatures, Texas to North Dakota and east to New York from April 17-21.
- Gas flows to U.S LNG export terminals on Monday rose +42% y/y to 11.6 bcf.
- Gas prices also found support from increasing electricity output in the US and low gas production. As per Bloomberg data, U.S. electricity output in the week ended April 3 rose +5.1% y/y to 68,183 GWh (gigawatt hours) and gas production on Monday fell -2.2% y/y to 90.637 bcf/d.
- However, weaker domestic demand is likely to limit the gains. Natural Gas domestic demand in the US on Monday fell -4.2% y/y to 60.0 bcf.
- Meanwhile, US Natural Gas inventories are down -11.9% y/y and are -1.3% below their 5-year average as per the latest EIA report.
- Baker Hughes reported last Friday that the number of active U.S. nat-gas drilling rigs in the week ended April 9 rose by +2 rigs to a 1-year high of 93 rigs.

Outlook

- Natural Gas prices are likely to find support on the cooler weather forecast and increasing export demand from the US. The immediate support level is seen near \$2.450 while the immediate level of resistance is seen around \$2.675

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