
Copper prices up on supply risks from Chile
Silver prices under pressure as hopes for new stimulus fade
U.S. temperature forecast is keeping Natural Gas prices under pressure

COPPER PRICES UP ON SUPPLY RISKS FROM CHILE

- ▲ LME Copper prices are trading firm near \$6,737 per ton, following a threat of supply disruptions in the top producer, Chile. Prices are also up, due to strong consumption demand from China. Copper prices have rallied near 7.4% in the last 3 weeks from the lows of \$6,270 registered on October 2.
- ▲ Supervisors at Chile's Escondida mine, and mine operator BHP, will extend negotiations to stave off a strike at the world's largest copper deposit. Though the mine could continue to operate even if supervisors walked off the job, a strike could lead to production bottlenecks or slowdowns. Canada's Lundin Mining will talk with the Mina union at its Candelaria copper deposit to try and end a strike.
- ▲ Chinese trade data on Tuesday was positive for economic growth and bullish for copper prices. China's September exports rose +9.9% y/y, close to expectations of +10.0% y/y, and the largest increase in 16 months. Also, China's September imports rose +13.2% y/y, stronger than expectations of +0.4% y/y, and the biggest increase in 9 months.
- ▲ Meanwhile strong demand from China is also supporting copper prices. China's copper imports rose in September to their second-highest level on record. Arrivals of unwrought copper and copper products stood at 722,450 tonnes in September. Last month's imports figure, which includes anode, refined, alloy and semi-finished copper products, was up 8.1% from August, and up 62.3% from September 2019.
- ▲ Copper inventory at LME monitored warehouses increased by 16,725 mt, as on October 14th. In the last one month, LME copper inventory has increased by 95,050 mt, which is 55.9% of total LME-registered stocks at 169,925 mt on October 14. Meanwhile copper stock at SHFE stands at 59,654 mt as on October 14th, and have dropped by 7,591 mt in the last month.

Outlook

- ▲ Copper prices are likely to trade higher on supply concerns, and Chinese demand. LME 3-month contract is likely to find support around the 50-days EMA at 6,560, and the 100-days EMA at 6,358. Meanwhile, an immediate resistance level could be seen around 6,990-7,208 levels.

SILVER PRICES UNDER PRESSURE AS HOPES FOR NEW STIMULUS FADE

- ▲ Silver prices dropped on Tuesday to a low of \$24.015, and are currently trading near this level, as strength in the Dollar Index has kept bullion prices under pressure. A strong rise was witnessed in the Dollar Index, as some optimism over passage of a new coronavirus relief package faded, as U.S. House Speaker, Nancy Pelosi, rejected a \$1.8 trillion relief proposal from the White House. Senate Majority Leader, Mitch McConnell, has said on Tuesday that the Republican-led Senate would vote next week on a targeted \$500-billion aid bill, while Democrats hold out for trillions in relief.
- ▲ Silver prices were also under pressure, after the International Monetary Fund's statement predicted a deep global recession this year, and that the world growth would be - 4.4 per cent,

asserting that the global economic crisis is far from over, mainly due to the impact of the coronavirus pandemic. According to the report, in 2021, growth is projected to rebound to 5.2 per cent, -0.2 percentage points below its June projection.

- ▲ Silver prices also retreated on Tuesday, due to concerns that the second wave of Covid sweeping across Europe, will force European governments to impose additional lockdown measures. Germany Netherlands and Russia reported a record daily infection cases, and new deaths from Covid infections.
- ▲ On the economic data front, U.S. consumer price data shows slack inflation pressures, which reduce demand for gold as an inflation hedge after the U.S September core CPI rose +0.2% m/m, and +1.7% y/y, right on expectations.

Outlook

- ▲ Silver prices are likely to find support near the 100-days EMA at 23.67, and the 200-days EMA at \$21.68, while critical resistance is seen near \$25.98-26.83 levels.

U.S. TEMPERATURE FORECAST IS KEEPING NATURAL GAS PRICES UNDER PRESSURE

- ▲ Nymex November natural gas prices are under pressure, following an updated weather forecast for warmer-than-expected U.S. temperatures. The Commodity Weather Group has said on Tuesday that temperatures for the Midwest, East, and South have turned warmer for the period October 18-22, compared to Monday's forecast. Increasing temperatures are likely to limit heating demand.
- ▲ Meanwhile, U.S LNG export terminals on Tuesday were 7.5 bcf, down -7% w/w.
- ▲ According to Bloomberg data U.S. natural gas production continues to be weak. On Tuesday, it was down -9.8% y/y, at 85.22 bcf/d.
- ▲ A decline in U.S. electricity output shows reduced natural gas demand from electricity providers. Data, last Wednesday, from Edison Electric, shows that the U.S. electricity output for the 52-week period ending October 3, was down -3.0% y/y at 3,935,118 GWh.
- ▲ Baker Hughes has reported last Friday, that the number of active U.S. natural gas drilling rigs in the week ended October 9, fell by -1 rig to 73 rigs, modestly above the record low of 68 rigs, posted in the week ended July 24.

Outlook

- ▲ Natural Gas prices for the November expiry contract are likely to find stiff resistance around \$2.96-\$3.042 levels. Meanwhile, an important support level could be seen around the 20-days EMA at \$2.543, and the 50-days EMA at \$2.353.

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