
Strength in the Dollar Index is pushing silver prices lower
Mixed weather outlook is keeping Natural Gas prices in a range
US stimulus plan is likely to support base metals prices

STRENGTH IN THE DOLLAR INDEX IS PUSHING SILVER PRICES LOWER

- ▲ Silver prices, on Thursday, settled mixed, and are trading lower today, due to strength in the Dollar Index. Silver prices found some support from signs of economic strength in China. Precious metals are likely to find support, after US President-elect, Joe Biden, announced \$1.9 trillion Covid rescue plan.
- ▲ Dovish comments from central banks are supportive for bullion prices. US Federal Reserve Chair, Powell, has said that there's a lot of slack in the labour market that's going to depress inflation, and that the time to raise interest rates is "no time soon."
- ▲ Also, minutes of the December 9-10 ECB meeting were positive for precious metals. All members of the ECB Governing Council agreed that additional monetary policy measures were necessary.
- ▲ On the economic data front, US weekly initial unemployment claims jumped +181,000, to a 4-1/2 month high of 965,000, showing a weaker labour market, than expectations of 789,000. China's December exports rose +18.1% y/y, stronger than expectations of +15.0% y/y. Also, Japan's November core machine orders unexpectedly rose +1.5% m/m, stronger than expectations of -6.5% m/m.

Outlook

- ▲ Strength in the Dollar Index is likely to keep silver prices under pressure. Silver prices are likely to face stiff resistance near the \$26.98 level, meanwhile key support levels are seen around \$23.40-\$22.18. However, stimulus measures and dovish central bank policies are likely to provide support to the prices.

MIXED WEATHER OUTLOOK IS KEEPING NATURAL GAS PRICES IN A RANGE

- ▲ Mixed weather outlook is keeping natural gas prices in a broader range of \$2.58-\$2.88. Data agency, Maxar, expects temperatures to remain trending higher for the U.S. South and Texas from January 18-22, however below normal temperatures are likely from January 24-28.
- ▲ Export demand is keeping Natural Gas prices firm. According to Bloomberg data, gas flows to U.S LNG export terminals on Thursday rose +40% y/y, to 10.9 bcf.
- ▲ However, weakness in domestic demand is keeping the prices under control. US Natural gas demand on Thursday fell -2.1% y/y, to 87.9 bcf.
- ▲ U.S. natural gas production continues to be weak, according to Bloomberg data, U.S. gas production on Thursday was down -4.7% y/y, to 90.083 bcf/d.
- ▲ EIA natural gas supplies fell -134 bcf last week, to 3,196 bcf, against market expectations of -129 bcf. Natural Gas Inventories are up +5.2% y/y, and are +7.3% above the 5-year average.

Outlook

- ▲ Natural Gas February month expiry contract prices are likely to find support at the 50-days EMA

at \$2.66, and the 100-days EMA at \$2.57, while key resistance is seen around \$2.93-\$3.06 levels.

US STIMULUS PLAN IS LIKELY TO SUPPORT BASE METALS PRICES

- ▲ Copper and other base metals prices are likely to trade higher, as prospects over industrial metals demand have increased, after US President-elect, Joe Biden's plan to pump \$1.9 trillion into the pandemic-ravaged economy.
- ▲ Optimism has increased, after US House of Representatives Speaker, Nancy Pelosi, and Senate Democratic leader, Chuck Schumer, said that Congress would get a right to work on Biden's stimulus package.
- ▲ Meanwhile, Chile's Codelco is increasing precautionary measures against the coronavirus at its mines amidst a recent uptick in infections in the country.
- ▲ China imported record volumes of unwrought copper and copper products on an annual basis in 2020. Imports of unwrought copper and copper products for the year came in at 6.68 million tonnes. December imports, however, slumped for a third consecutive month to 512,332 tonnes, down 8.7% from 561,310.7 tonnes in November. Imports of copper concentrate were 1.89 million tonnes last month, up 3% from 1.831 million tonnes in November, but down from 1.928 million tonnes a year earlier.
- ▲ Copper stock at SHFE has dropped nearly 43,918 mt in the last one year, and now stands at 23,585 mt, as on 14th January, 2021. Meanwhile, Copper stock at LME has dropped near 68,675 mt in the last three months, and now stands at 101,250, as on 14th January, 2021.

Outlook

- ▲ Copper prices are likely to trade firm, while remaining above the key support level of the 20-days EMA of \$7,909 per mt, and the 50-days EMA of \$7,642 per mt. Meanwhile, key resistance is seen near \$8,145-\$8,243 per mt.

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