
Natural Gas trend remains negative
Silver prices to remain firm on weakness in the US dollar
Nickel – rebounds from its support level

NATURAL GAS TREND REMAINS NEGATIVE

- ▲ Natural Gas Oct expiry contract prices were moderately higher on Monday, on signs of stronger demand for U.S. exports. A Bloomberg report shows that the flow of LNG export terminals on Monday was at 7.4 bcf/day, which was up +70% w/w.
- ▲ Prices were also up on the back of production disruption due to Tropical Storm Sally (Category one hurricane) in the Gulf of Mexico. Nearly 25% of U.S. Natural Gas Production in the Gulf of Mexico has been shut as of mid-Monday.
- ▲ Meanwhile, the overall trend in natural gas is still looking negative, on the outlook for cooler U.S. temperatures, from 18th to 25th September along with ample U.S. supply.
- ▲ As per a Bloomberg report, U.S. Natural Gas production is expected to remain weak, and on Monday, it was down by 6.3% (Y/Y) at 86.657 bcf/d.
- ▲ As per the weekly report from Baker Hughes, active U.S. natural gas drilling rigs in the week ended September 11, fell by -1 rig, to 71 rigs.
- ▲ Last Thursday's weekly EIA report showed that gas inventories rose +70 bcf last week, to 3,525 bcf, which was above the consensus of +68 bcf, and above the 5-year average of +68 bcf. Inventories are up +16.8% y/y, and are +13.1% above the 5-year average.

Outlook

- ▲ We expect Natural Gas prices to remain negative on account of the cooler weather forecast, and ample supply built-up. Nymex Natural Gas October expiry contract is likely to find stiff resistance near the 10-days EMA at \$2.371. Meanwhile, support could be seen at the 100-days EMA at 2.083.

SILVER PRICES TO REMAIN FIRM ON WEAKNESS IN THE US DOLLAR

- ▲ Silver prices are trading up by 1.29% in early Asian trading session, followed by an upside move from Monday. Silver prices found support from weakness in the US dollar, and expectations that the US Federal Reserve will reiterate its dovish monetary policy stance this week.
- ▲ On the economic data front, China's industrial production grew by 5.6 per cent in August, from a year earlier, with retail sales growing by 0.5 per cent. Economic recovery in China continues to be powered by industry, but the retail sector records the best performance of 2020. Retail sales, a vital metric of consumption in the world's biggest market, grew by 0.5 per cent, compared to the same month last year, up from minus 1.1 per cent in July.
- ▲ Silver prices also found support on speculation that the ECB may boost stimulus measures to fight the risks of deflation. An ECB Governing Council member said that "the inflation outlook is a concern", as the core inflation level is "clearly below our target." Also, the ECB President has said that the Governing Council stands ready to adjust all of their instruments, if needed.

- ▲ All eyes are on the US central bank's two-day policy meeting scheduled on September 15-16. The FOMC's upcoming meeting is just weeks after the annual economic policy symposium. The Fed is in favor of allowing a moderate overshoot of their 2% inflationary target.

Outlook

- ▲ Silver prices are likely to remain firm, while above the critical support level of the 20-days EMA at \$ 27.232, and the 50-days EMA at \$25.698. Meanwhile, an immediate resistance could be seen around \$27.945 and \$28.345 levels.

NICKEL – REBOUNDS FROM ITS SUPPORT LEVEL

- ▲ China's industrial production rose 5.6%, year-on-year in August, and this is the fifth straight month of expansion, indicating that the economy is gaining speed. Further China's unemployment rate is at 5.6% for the month of August, against 5.7% in July.
- ▲ Retail sales grew by 0.50%, compared to the same month in the last year, and up from minus 1.1% in July, and beating analysts' expectations of a 0.0% growth. This marked the first growth in the retail sector for 2020, with January and February's data having been combined, due to distortions relating to the Covid-19 pandemic.
- ▲ On the inventory side, inventory at SHFE increased by 9%, from 27,538 mt, on 1st April 2020, to 30,112 mt, on 14th September 2020, while at the LME, the inventory increased by 3%, from 174,108 mt, to 178,770 mt, during the same time period. Parity, which is the difference between the SHFE and the LME (in terms of Yuan), after calculating for VAT and the currency, is currently trading at 754 Yuan.
- ▲ Nickel cash to three month difference, which is the difference between cash and rolling three months on the London Metal Exchange, is trading at a discount of \$65, signifying lower spot demand on the LME.

Outlook

- ▲ Nickel found support near the 20-days SMA to rebound, and the medium-term trend remains positive for the metal. We can expect nickel to rise towards \$15,550 & \$15,750 levels, while support is seen around \$15,100 & \$14,850 levels.

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