
Natural Gas inventories rose below expectations
Strength in the Dollar is keeping silver prices under pressure
Demand hopes and possible supply disruptions likely to keep copper prices firm

NATURAL GAS INVENTORIES ROSE BELOW EXPECTATIONS

- ▲ Natural Gas November expiry contract prices settled near \$2.775, which was 5.27% higher from the previous day. The weekly Natural Gas inventory report released by the EIA supported this move. EIA data showed inventories have risen only +46 bcf, below expectations of +52 bcf. Meanwhile, inventories are up +10.2% y/y, and are +10.0% above the 5-year average.
- ▲ Natural gas prices also found support from a colder weather forecast. According to data agency, Maxar, cold temperatures would move into the Midwest and South from October 25-29, which should boost heating demand for natural gas. Meanwhile, LNG export terminals on Wednesday were 7.8 bcf, up +12.5% w/w.
- ▲ Natural Gas prices may face some resistance, due to weakness in consumption from electricity providers. Data on Wednesday from Edison Electric has shown that U.S. electricity output for the 52-week period ending October 10, was down -0.9% y/y, at 3,934,465 GWh (gigawatt-hours). Meanwhile, consumption on Thursday was 65 bcf, down -4.7% y/y. We may see a revival in consumption demand in the coming weeks, due colder weather forecast.
- ▲ US Natural Gas production on Thursday was down -7.5% y/y at 87.484 bcf/d, according to Bloomberg data.

Outlook

- ▲ Natural Gas prices for 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 \$2.586, and the 50-days EMA at \$2.381.

STRENGTH IN THE DOLLAR IS KEEPING SILVER PRICES UNDER PRESSURE

- ▲ A rally in the Dollar Index to a 1-week high on Thursday, was bearish for silver prices, along with reduced hopes for a pre-election U.S. pandemic stimulus bill. Silver prices also fell, on the back of concerns that industrial metals demand in Europe will take a hit, after some cities imposed fresh lockdown measures to curtail the spread of Covid infections. France, on Thursday, imposed a curfew in 9 of its biggest cities, between 9 p.m. and 6 a.m., for four weeks, starting Saturday.
- ▲ US Treasury Secretary, Mnuchin, said on late Wednesday, that politics have undermined stimulus negotiations, and that he doubts that there will be additional U.S. fiscal stimulus, until at least after the November 3 election.
- ▲ On the economic data front, U.S. weekly initial unemployment claims unexpectedly rose +53,000 to 898,000 against the forecast of 825,000. The October Empire Manufacturing Survey General Business Conditions Index fell -6.5, to 10.5, weaker than expectations of -3.0, to 14.0. Meanwhile, the October Philadelphia Fed Business Outlook Survey Index unexpectedly rose +17.3, to an 8-month high of 32.3, stronger than expectations of -0.2, to 14.8.

Outlook

- ▲ Silver prices are likely to find support near the 100-days EMA at \$23.68, and the 200-days EMA at \$21.73, while critical resistance is seen near \$25.98-26.83 levels.

DEMAND HOPES AND POSSIBLE SUPPLY DISRUPTIONS LIKELY TO KEEP COPPER PRICES FIRM

- ▲ Copper prices are trading firm near the \$6,781 level, on the back of hopes of strong demand prospects from China, and the risks of supply disruptions from Chile. Copper prices have rallied nearly 8.1% in the last 3 weeks, from the lows of \$6,270, which were registered on October 2.
- ▲ However, a rally in copper prices is capped, due to the second wave of coronavirus in Europe, and another round of restrictions in Germany and the UK.
- ▲ As per a Reuters report, supervisors at Chile's Escondida mine have said that they were evaluating a new labour contract proposal from mine operator BHP, amidst negotiations to head off a strike at the world's largest copper deposit. Escondida produced 1.19 million tons of copper in 2019. The union of supervisors at the sprawling Escondida mine last week rejected BHP's final offer in contract negotiations, but both parties agreed to extend talks this week. The union told Reuters that talks would continue through October 16.
- ▲ Chilean copper miner, Codelco, has said that it was producing at full capacity, and aims to meet 2020 output targets.
- ▲ Aurubis, Europe's biggest copper smelter, will offer unchanged, 2021 copper premiums to its customers of \$96 per tonne, above the LME prices.
- ▲ On the economic data front, Chinese consumer and producer price data on Thursday was weaker than expected. China's September CPI has risen +1.7% y/y, weaker than expectations of +1.9% y/y, and the smallest pace of increase in 20 months. China's September PPI fell -2.1% y/y, weaker than expectations of -1.8% y/y.
- ▲ Copper inventory at LME monitored warehouses dropped by 1,050 mt, as on October 15. In the last one month, LME copper inventory has increased by 90,325 mt, which is 53% of the total LME-registered stock at 168,875 mt, as on October 15.

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 \$6,579, and the 100-days EMA at \$6,373. Meanwhile, an immediate resistance level could be seen around \$6,990-7,208 levels.

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