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Supply concerns are likely to keep Nickel prices higher  
Silver is likely to trade firm  
Downtrend to continue in Natural Gas

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## SUPPLY CONCERNS ARE LIKELY TO KEEP NICKEL PRICES HIGHER

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- ▲ Nickel prices rallied, on the back of solid manufacturing data from China, and the roll-out of COVID-19 vaccines in some major economies. Industrial output growth picked up to 7.0% in November, from a year earlier, which was much higher than the market expectation of 6.9%. China's factory output grew at its fastest pace in 20 months in November.
- ▲ The nickel smelter of Eramet SA's SLN subsidiary in New Caledonia is running low on ore, due to widespread protests over the sale of another nickel operation in the French Pacific territory.
- ▲ Nickel output in the Philippines, the biggest exporter of the material, to top metals consumer, China, dropped 12% in the first nine months of the year.

### Outlook

- ▲ Nickel prices are likely to find support near \$16,530-\$16,375 per mt, while critical resistance is seen near \$17,900-\$18,471 per mt. We expect the positive trend to continue further, on the back of improved economic conditions in China, and stimulus hopes from the United States.

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## SILVER IS LIKELY TO TRADE FIRM

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- ▲ Silver prices are trading above the 5-weeks high, as the Dollar Index slumped to a new 2-1/2 year low. Precious metals found support from expectations that U.S. lawmakers this week will pass another debt-fuelled pandemic aid package. Silver prices have also climbed on signs of strength in global manufacturing activity.
- ▲ On the economic data front, the Eurozone December Markit manufacturing PMI unexpectedly rose +1.7 to 55.5, stronger than expectations of -0.8, to 53.0, and the fastest pace of expansion in 2-1/2 years. Also, the U.S. December Markit manufacturing PMI fell -0.2, to 56.5, stronger than expectations for a decline to 55.8. In addition, the U.K. December Markit manufacturing PMI rose +1.7, to a 3-year high of 57.3, stronger than expectations of +0.4 to 56.0. Finally, the Japanese December Jibun Bank manufacturing PMI rose +0.7, to a 1-1/2 year high of 49.7.
- ▲ Meanwhile U.S. November retail sales fell -1.1% m/m, and -0.9% m/m (ex-autos), which was weaker than expectations of -0.3% m/m, and +0.1% (ex-autos), and also the biggest decline in 7 months. Also, the December NAHB housing market index fell -4, to 86, weaker than expectations of -2, to 88.
- ▲ Precious metals also found support from the US Fed meeting and stimulus hopes. Negotiators bargained over the details of a \$900 billion COVID-19 aid bill in the US, which is expected to include \$600-\$700 stimulus checks, and extended unemployment benefits. The US Federal Reserve has promised to continue its bond-buying programme, until there is "substantial further progress" in restoring full employment, and hitting its 2% inflation target.

## Outlook

- ▲ Silver prices are likely to find support near the 100-days EMA at \$23.90, and the 200-days EMA at \$22.83. Meanwhile, key resistance is seen near \$26.24 and \$27.40 levels.

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## DOWNTREND TO CONTINUE IN NATURAL GAS

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- ▲ Expectations for warmer-than-normal temperatures in the U.S. towards the end of December are likely to keep Natural Gas prices lower. According to the Commodity Weather Group, most of the U.S. will see warmer-than-normal temperatures from December 21-25. Also, mild temperatures are expected between December 26-30 across much of the Midwest and the South. Also, data agency, Maxar, has predicted that this winter will be the 13th warmest winter for energy demand, going back to 1950.
- ▲ As per Bloomberg data, total Natural gas consumption in the US on Wednesday was down -1.4% y/y, at 98 bcf.
- ▲ Meanwhile, gas flows to U.S LNG export terminals on Wednesday were up +35% y/y, at 10.8 bcf. U.S. LNG exporters loaded a record 81 cargoes in November, breaking the previous record of 75, which was set last January.
- ▲ U.S. Natural gas production continues to be weak, as per Bloomberg data. US gas production on Wednesday was down -5.0% y/y, at 90.483 bcf/d.
- ▲ Natural gas is likely to find direction from a weekly inventory report later today. Last Thursday's weekly EIA report showed that Natural gas inventories for the week upto December 4 fell -91, to 3.848 bcf. Natural gas inventories are up +9.4% y/y, and are +7.2% above the 5-year average.

## Outlook

- ▲ Natural Gas January expiry contract is likely to find support near \$2.53-\$2.26 levels. Natural gas may continue its negative trend, while remaining below the critical resistance level of \$2.79-\$2.95.

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