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Copper is likely to get supporting from export growth in Japan

Silver is likely to trade firm while above \$26.34

Natural Gas prices to trade firm

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**COPPER IS LIKELY TO GET SUPPORTING FROM EXPORT GROWTH IN JAPAN**

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- ▲ Copper prices are likely to continue its positive move on the backdrop of physical demand, drop in inventory and export growth in Japan. LME 3M Copper prices are currently trading near \$8395 which has rallied by 9% so far in 2021.
- ▲ Increasing optimism about a global economic recovery is supporting current rally in base metals. Positive export data from Japan is supportive of base metals prices. Japan's exports posted their sharpest growth in 27 months in January. Exports in the reporting month rose 6.4 per cent from a year earlier to 5.78 trillion yen (\$54.5 billion), their biggest rise since October 2018 and the second straight month of growth following a 2.0 per cent rise -- and the first increase in 25 months -- in December. The January exports were led by a 37.5 per cent surge in exports to China, the biggest expansion since April 2010, along with a 19.4 per cent jump in shipments to Asia as a whole.
- ▲ Also, The U.S. Feb Empire manufacturing survey general business conditions index rose +8.6 to a 5-month high of 12.1, stronger than expectations of 6.0. Eurozone Q4 GDP was revised upward to -0.6% q/q and -5.0% y/y from the previously reported -0.7% q/q and -5.1% y/y. Besides, the German Feb ZEW survey expectations of economic growth index unexpectedly rose +9.4 to a 5-month high of 71.2, stronger than expectations of a decline to 59.5.
- ▲ Data from registered LME Warehouse indicates that Copper inventory now stands at 73725mt as of 16th Feb 2021, which have dropped nearly 89300mt only in last 3 months. A significant drop in warehouse indicates strong physical demand for the red metal.

**Outlook**

- ▲ LME 3M expiry contract is likely to trade firm while above 20 days EMA at \$8128 and 50 days EMA at \$7885 meanwhile key resistance levels are seen around \$8545 and \$8837

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**SILVER IS LIKELY TO TRADE FIRM WHILE ABOVE \$26.34**

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- ▲ Increasing economic optimism is supporting industrial metals demand and silver is likely to find support from it. However, strength in the dollar index is keeping prices under pressure following a rally in global bond yields.
- ▲ Global government bond yields are rallying for the last two weeks. The US -year T-note yield rose to an 11-1/2 month high Tuesday of 1.299%. The 10-year UK gilt yield rose to a 10-3/4 month high of 0.628% Tuesday, and the 10-year German bund yield climbed to an 8-1/4 month high of -0.348%.
- ▲ On Wednesday, data released shows that UK inflation rose to 0.7% in January against the market forecast of 0.6% due to rise in food prices. Also, US 10-year breakeven inflation expectations rate on Tuesday climbed to a new 6-1/2 year high of 2.264%. The increasing expectation on rising inflation is likely to provide support to bullion prices which act as a hedge against inflation.

## Outlook

- Silver prices are likely to find support near 50 days EMA at \$26.346 and 100 days EMA at \$25.743 while critical resistance level is seen around \$27.96 and \$28.62

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## NATURAL GAS PRICES TO TRADE FIRM

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- Nymex Natural Gas March contract prices on Tuesday rallied to a 3-1/2 month high following cold weather condition which has increased heating demand in the US. The Commodity Weather Group on Tuesday said that below-normal temperatures across the U.S. would last at least until Feb 20.
- Additionally, Freezing temperatures have caused widespread blackouts in the South and have frozen some NG wells, which have disrupted some production to a 3 year low.
- US domestic demand, low production and electricity demand is supportive for NG prices. U.S. domestic demand on Friday rose +13% y/y to 109.1 bcf. US electricity output in the week ended Feb 6 rose +5.9% y/y to 79,582 GWh (gigawatt hours). US Gas production on Tuesday was down -17.5% y/y at 77.228 bcf/d, just above Monday's 3-year low.
- However, Weaker export demand is likely to keep a cap on the rally. Gas flow to U.S LNG export terminals on Friday fell to 9.51 bcf, the lowest since Jan 23 as per Bloomberg data.
- Meanwhile, Baker Hughes reported Friday that the number of active U.S. nat-gas drilling rigs in the week ended Feb 12 fell -2 rigs to 90 rigs.
- According to the CFTC Commitments of Traders report for the week ended February 9, net long for natural gas futures jumped 6569 contracts to 36150 for the week. Speculative long position dropped by 6568 contracts, while shorts dropped by 13137 contracts.

## Outlook

- Natural Gas prices are likely to trade firm while above 20 days EMA at \$2.883 and 50 days EMA at \$2.789, while immediate resistance is seen around \$3.236 and \$3.474

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