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Speculation over ECB stimulus and Industrial demand to support silver prices  
Natural Gas prices to remain under pressure on higher inventory built-up expectations  
Zinc: Medium-term positive, albeit in the near term looks range bound

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**SPECULATION OVER ECB STIMULUS AND INDUSTRIAL DEMAND TO SUPPORT SILVER PRICES**

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- ▲ Silver and gold prices corrected from yesterday's high, after a rally in equities. However, the dovish Fed policy meeting outcome, and ECB comments are supportive for bullion prices.
- ▲ The US Federal Reserve has kept the interest rate at 0.25%, as per market expectations. In order to support the US economic recovery out of the coronavirus setback, the Fed is planning to keep the interest rates near zero till the year 2023. The Fed Chairman, Mr Jerome Powell, has said that the 'New normal' interest rates will help the economy meet both employment, and inflation objectives, even in good times.
- ▲ Wednesday's US economic data was mixed for precious metals. US retail sales increased by 0.6% in August, against the expectations of 1%, as extended unemployment benefits were cut for millions of Americans. Core retail sales, which indicate the consumer spending component on Gross Domestic Product (GDP), fell by 0.1%.
- ▲ Precious metals prices could find support from dovish ECB comments on Wednesday, which increased speculation that the ECB may expand stimulus measures. ECB Executive Board member, Schnabel, said the ECB "stands ready to act if the incoming data is not consistent with the objective of our emergency measures, to close the inflation gap, which has emerged as a result of the pandemic." Also, the ECB Governing Council member, Hernandez de Cos, has said that the ECB will continue to monitor the Euro exchange rate, and can't rule out additional ECB stimulus in the future.
- ▲ Silver, being an industrial metal, is likely to get additional support as the Organization for Economic Co-operation and Development (OECD) upgraded its global growth outlook, as it forecast that the global 2020 GDP will contract -4.5%, less than a -6.0% forecast in June.

**Outlook**

- ▲ Silver prices are likely to find support from positive economic data, and speculations over new stimulus from ECB. Silver prices may find a critical support level at the 50-days EMA at \$ 25.791. Meanwhile, an immediate resistance could be seen around \$27.769 and \$28.41 levels.

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**NATURAL GAS PRICES TO REMAIN UNDER PRESSURE ON HIGHER INVENTORY BUILT-UP EXPECTATIONS**

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- ▲ Natural Gas prices are likely to remain under pressure, as demand is affected due to hurricane Sally. These prices are also under pressure, on expectations of an inventory built-up.
- ▲ Official inventory data will be released later today. The consensus is for Thursday's weekly EIA inventories to climb +78 bcf, slightly above the 5-year average for this time of the year of +77 bcf. Last Thursday's weekly EIA report showed that gas inventories rose +70 bcf previous week, to 3,525 bcf, which was above the consensus of +68 bcf, and above the 5-year average of +68 bcf. The inventories are up +16.8% y/y, and are +13.1% above the 5-year average.

- ▲ The weather conditions have reduced electricity demand for air cooling in the US. Power-plant demand for Natural Gas has weakened, which is negative for prices. It was estimated to be at 32.9 bcf for Wednesday. NatGasWeather.com last Friday said that a "comfortable" weather pattern is seen for most of the U.S. from September 18-25.
- ▲ Meanwhile, Natural Gas found some support from production disruptions due to hurricane Sally. The Bureau of Safety and Environmental Enforcement (BSEE) reported that 28% of U.S. natural gas production in the Gulf of Mexico was shut down, as of mid-Tuesday.

## 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 20-days EMA at \$2.364. Meanwhile, support could be seen at the 100-days EMA at \$2.086.

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## ZINC: MEDIUM TERM POSITIVE, ALBEIT IN THE NEAR TERM LOOKS RANGE BOUND

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- ▲ China's Zinc prices continue to rise towards their 16-month highs, which were hit earlier, as resilient Chinese industry and manufacturing bolstered the outlook for zinc demand, and the Yuan strengthened to hit its own 16-month high, making metals more affordable for Chinese buyers.
- ▲ Zinc is used to galvanize steel, due to which a better performance by steel manufacturers, in terms of more output, increases the zinc demand. Operating rates at the electric arc furnace for Chinese steel makers stand at 78%, as of September 15th, which has resulted in a faster drawdown of the zinc inventory at the SHFE.
- ▲ SHFE inventory for Zinc has declined in China and inventory (on warrant), since 1st April, has declined by 72%, from 87,713 mt, to 24,232 mt. On the other hand, inventory on the LME has increased by 343%, from 48,775 mt, to 207,875 mt. It is the drawdown in the Chinese inventory that is supporting the Zinc rally.
- ▲ Ample metal at the LME has ensured that cash zinc is trading at a discount of \$25 over the three-month contract, however this discount has reduced from \$30 seen in the first week of September, signifying tighter near term supply.
- ▲ Zinc parity (price comparison between LME & SHFE in terms of Yuan adjusted for Vat and currency) is currently trading at 424 Yuan, which is above the zero level, indicating Chinese demand.

## Outlook

- ▲ Zinc is currently near the 20-days SMA, though the medium-term trend remains positive, and we could see it trading in the \$2,550-\$2,430 range in the near term.

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