
Silver relatively stronger than Gold
Supply worries pushed Copper prices to 9 years high
The warmer temperature forecast is keeping a lid on NG prices

SILVER RELATIVELY STRONGER THAN GOLD

- Silver prices are relatively strong in comparison with gold and currently holding the ground near \$26.94. Silver is receiving support from a rally into other industrial metals such as Copper and Nickel. Increasing economic optimism in the US and China and other leading economy is supportive of metals. Weakness in the Dollar index is also likely to provide support to metals prices.
- However, rising global government bond yields are likely to keep a cap on Silver prices which is negative for precious metals demand. The 10-year UK gilt yield rose to a 10-3/4 month high Thursday of 0.650%, and the 10-year German bund yield rose to an 8-1/4 month high of -0.324%.
- On the economic data front, U.S. Jan building permits rose unexpectedly +10.4% m/m to a 14-1/2 year high of 1.881 million which was stronger than expectations of a decline to 1.680 million. Also, the U.S. Feb Philadelphia Fed business outlook survey fell -3.4 to 23.1 against expectations of a decline to 20.0.
- However, Jobs and housing start data have disappointed the market. U.S. weekly initial unemployment claims rose unexpectedly by 13000 and reached a 4-week high of 861,000 and U.S. Jan housing starts fell -6.0% m/m to 1.580 million.
- The account of the Jan 20-21 ECB meeting was supportive of bullion. It stated that "the fast rebound in growth foreseen in the December staff projections might be too optimistic, with growth in Q2 of 2021 possibly at risk from extended lockdowns."

Outlook

- Silver prices may find support around 50 days EMA at \$26.39 and 100 days EMA at \$25.81 while key resistance levels are seen around \$28.20-29.01

SUPPLY WORRIES PUSHED COPPER PRICES TO 9 YEARS HIGH

- Copper prices rallied to 9 years high and currently, holding at \$8720 on the backdrop of inventory drop at LME, positive economic data and increasing economic optimism from global vaccination drive. Dollar weakness is also supporting copper prices.
- Data from satellite surveillance of copper plants shows that Global copper smelting activity fell in January, led by Europe and North America, as pandemic lockdowns dampened industrial activity. Its global dispersion index fell to an average of 46.5 in January from 55.2 a month earlier. Europe saw a sharp drop in January to 41.3 from 59.9 a month before while North America remained depressed, slipping to 33.2 from 33.6 in December. China declined to 50.3 in January from 55.5.
- As per a report from Bloomberg, Production guidance from the top 25 copper producers indicates the market may be in a sizable deficit this year as demand likely to increase by 5%. Rising inflation expectations caused by US stimulus, a falling dollar, and historically low stocks

are likely to support Copper prices from current levels.

- ▲ Copper inventory at SHFE warehouse has dropped significantly in last one year by 121376mt and now stand at 37839 as of 18th Feb 2021. LME warehouse also reported a drop of 90450mt in last one year and LME warehouse Copper inventory now stand at 76025mt on 18th Feb 2021. Copper inventories in LME-registered are near their lowest since 2005.

Outlook

- ▲ LME 3 Month Copper prices are likely to trade firm while above immediate support levels of \$8557 and \$8483 while key resistance is seen around \$8891

THE WARMER TEMPERATURE FORECAST IS KEEPING A LID ON NG PRICES

- ▲ Natural Gas prices corrected from a recent high of 3.316 on the expectation of change in the weather forecast. Warmer weather condition expectation from the previous forecast is likely to reduce heating demand in the US in the coming days. Weather forecasting agency Maxar on Thursday said that above-normal temperatures are expected in the eastern U.S. from Feb 28-Mar 4 and that Texas and Oklahoma will trend warmer from Feb 23-27.
- ▲ NG prices rally from last two weeks was supported by increasing domestic demand, drop in inventory, high electricity demand and low level of production. However, a drop in export demand kept a lid on Ng prices.
- ▲ Weekly inventory report released by EIA was positive for NG prices. EIA reported that weekly inventories fell by 237 bcf last week, against expectations of a drop of 252 bcf.
- ▲ As per Bloomberg data, US domestic demand on Thursday rose +18% y/y to 106 bcf. U.S. electricity output in the week ended Feb 13 rose +8.5% y/y to 83,686 GWh (gigawatt hours). US gas production on Thursday dropped -24.5% y/y to 70.682 bcf/d.
- ▲ However, US gas flow to LNG export terminals fell -44% y/y to 4.55 bcf on Thursday as per Bloomberg data. On Wednesday, flows to export terminals slumped to 3.9 bcf, down -63% w/w and the lowest in 5 months.

Outlook

- ▲ Natural Gas March expiry contract is likely to find stiff resistance near 3.323-3.496 meanwhile key support levels are seen around 20 days EMA at 2.928 and 50 days EMA at 2.817.

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