
US Natural Gas export demand continues to grow
Nickel prices to continue with the bullish trend
Silver is likely to face resistance at \$26.36 level

NATURAL GAS EXPORT DEMAND CONTINUES TO GROW

- ▲ Natural Gas prices are marginally up, on the back of cooler weather forecast, and are currently trading near the \$2.66 level, and are holding onto gains from yesterday, after a bounce from the low of \$2.57. US weather data agency, Maxar, has said that warmer weather is seen in the South, but below-normal temperatures are seen in the West and Rockies from January 20-24. Also, below-normal temperatures are seen for the Northern Tier states and East Coast from January 25-29.
- ▲ However, the Commodity Weather Group has said that the national heating demand is expected to remain "well below" the 30-year average over the next two weeks. Weakness in domestic demand is keeping a lid on prices. As per Bloomberg data, US domestic demand on Friday fell -2.5% y/y, to 87.7 bcf.
- ▲ Natural gas is receiving support from robust export demand from the last two months. As per Bloomberg data, gas flows to U.S LNG export terminals on Friday rose +57% y/y, to 11.0 bcf.
- ▲ Meanwhile, electricity output is also providing support. As per an Edison Electric Institute report, total U.S. electricity output in the week ended January 9, rose +2.9% y/y, to 78,040 GWh (gigawatt hours).
- ▲ Baker Hughes has reported on Friday that the number of active U.S. Natural Gas drilling rigs in the week ended January 15 rose by +1 rig, to an 8-1/2 month high of 85 rigs. Natural Gas rigs are likely to continuously grow, and keep Natural Gas production firm.

Outlook

- ▲ Natural Gas February month expiry contract prices are likely to find support at the 50-days EMA at \$2.65, and the 100-days EMA at \$2.57, while key resistance is seen around \$2.93-\$3.06 levels.

NICKEL PRICES TO CONTINUE WITH THE BULLISH TREND

- ▲ Nickel prices on LME advanced, along with other metals on Monday, and continued a similar trend in early trading session on Tuesday, following positive GDP numbers from China. Nickel prices are currently trading near \$18,135 per mt, and are sharply up from Christmas week's low of \$16,295.
- ▲ On the economic data front, China's economy grew 6.5% in the previous quarter, against market forecasts of 6.1%. Economic optimism has increased for China, post its quarterly GDP numbers, and this is supporting base metals.
- ▲ Friday's weaker-than-expected US economic data was negative for metals demand. US December retail sales fell -0.7% m/m, and -1.4% m/m (ex-autos), against expectations of remaining unchanged in m/m, and -0.2% m/m (ex-autos). January Empire Manufacturing Index unexpectedly fell -1.4, to a 7-month low of 3.5, much weaker than expectations of +1.1, to 6.0. January University of Michigan U.S. Consumer Sentiment Index fell -1.5, to 79.2, weaker than

expectations of -0.8, to 79.5. However U.S. December manufacturing production rose +0.9% m/m, which was stronger than expectations of +0.5% m/m, and supported prices of metals.

- ▲ Meanwhile, Nickel stock at SHFE registered warehouses has dropped nearly 15,222 mt in the last three months, and now stands at 12 846 mt, as on 18th January, 2021. Meanwhile stock at LME registered warehouses has increased nearly 11,910 mt in the last three months, and now stands at 249,300 mt, as on 18th January, 2021.

Outlook

- ▲ Nickel prices are likely to trade firm, on the back of increasing optimism in China. LME 3 month contract is likely to find support near the 20-days EMA at \$17,820 per mt, while critical resistance is seen near \$18,650.

SILVER IS LIKELY TO FACE RESISTANCE AT \$26.36

- ▲ Silver prices are trading marginally up, following a positive move in gold, and also the weakness in the Dollar Index. However, positive economic data and increasing optimism globally are likely to reduce safe-haven demand for precious metals.
- ▲ Goldman Sachs has turned more optimistic on the outlook for the US economy this year under President-elect Joe Biden. Goldman Sachs has raised their forecast for US GDP to 6.6% in 2021, from 6.4%. Goldman now expects a lower US unemployment rate of 4.5% at the end of 2021, down from 4.8%.
- ▲ Political uncertainty has reduced in Italy, after Italian Prime Minister, Giuseppe Conte, won a crucial confidence vote in the Chamber of Deputies on Monday. However, Conte will face a tougher test later today in the upper house Senate, where the government has only a slim majority.
- ▲ The overall number of global coronavirus cases has topped 96 million, while the deaths have surged to more than 2.048 million, according to the Johns Hopkins University. Germany seeks to tighten and expand lockdown restrictions. France expanded a daily 12-hour curfew nationwide, starting Sunday. Italy's Health Minister has said on Friday that the government might need to return to a strict lockdown.

Outlook

- ▲ Silver prices are likely to face stiff resistance near the \$26.36 level. Meanwhile, key support levels are seen around \$23.88-\$22.18 levels.

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