
Nickel prices are likely to trade negative
High export demand and cold temperature support Ng prices

NICKEL PRICES ARE LIKELY TO TRADE NEGATIVE

- LME Nickel prices currently trading near \$16,222 per mt which is sharply lower from the recent high of \$20,107 registered on February 22 but still marginally up from the recent low of \$15,670 registered on March 09. The nickel price rally was supported by rising demand from the electronic vehicle batteries sector, solid consumption from the stainless steel industry and supply chain disruption after top producer Indonesia banned nickel ore export from 2020. However, Indonesian government has been trying to boost nickel processing in the country by offering incentives for miners who build smelters in efforts to create jobs and to increase the value-added to their mineral reserve. An additional supply of finished products from Indonesia is likely to keep Nickel prices under pressure.
- Global economic data released on Monday was mixed for industrial metal demand. Eurozone construction output for February dropped -2.1% m/m which is the biggest drop in 5 months. However, Japan Mar exports rose +16.1% y/y, stronger than expectations of +11.4% y/y and the largest increase in 3-1/4 years. Meanwhile, economic output in Germany contracted in the first quarter of this year due to prolonged lockdown measures and a VAT (value-added tax) increase that contributed to reduced private consumption.
- Concern that the global resurgence of Covid infections will hurt economic growth and industrial metals demand is negative for Nickel prices. The overall global Covid-19 caseload has topped 141.8 million, while the deaths have surged to more than 3.02 million, according to the Johns Hopkins University.
- On the inventory front, LME warehouse stock has increased by 2,790 mt in the last 30 days and now stands at 262,764 mt as of April 19th. However, Nickel inventory in SHFE has dropped by 1,701 mt and now stands at 8,159 mt as of April 19th. China Invisible inventory has dropped by 934,000 mt in the last 30 days and now stands at 39,41,000 as of April 19th which is a nearly 19.2% drop in the last one month. A significant drop in inventory in China is indicating strong physical demand due to recovery in economic activity.
- As per the latest report from the International Nickel Study Group (INSG), the global nickel market surplus expanded to 6,200 tonnes in February from a downwardly revised surplus of 3,500 tonnes in the previous month. INSG report is indicating strong supply and weak demand.
- Russian metals producer Nor Nickel has improved its 2021 production forecast slightly as one of its mines is resuming work ahead of schedule after flooding. Increasing production is negative for nickel prices.

Outlook

- LME 3M Nickel prices are likely to trade negative while below key resistance level around 50 days EMA at \$16,775 per mt. It may find a strong support base around \$15,902-\$15,792 per mt.

HIGH EXPORT DEMAND AND COLD TEMPERATURE SUPPORT NG PRICES

- Natural gas prices bounced from the recent low of \$2.453 registered on April 6th and now stand at \$2.736 on the backdrop of strong export demand and dipping temperature in the US which has increased heating demand. A late-season snowstorm over the weekend strikes the US Northeast has increased heating requirement. The US is likely to see below-normal temperatures through at least April 23, which should boost heating demand for Natural Gas.
- US Natural gas prices are receiving support from increasing export demand. As per Bloomberg data, Gas flows to US LNG export terminals on Monday rose +48% y/y to 11.8 bcf.
- An increase in U.S. electricity output is also positive for NG prices. US electricity output in the week ended April 10 rose +4.9% y/y to 673,213 GWh (gigawatt hours).
- Also, gas production on Monday fell -2.6% y/y to 89.79 bcf/d, which is supporting NG prices.
- Last Thursday's weekly EIA inventory report was supportive for prices, US Natural Gas inventories rose +61 bcf to 1,845 bcf, against expectations of a +67 bcf increase. Inventory is down -12.0% y/y and is +0.6% above their 5-year average.
- Baker Hughes reported last Friday that the number of active U.S. nat-gas drilling rigs in the week ended April 16 rose by +1 rig to a 1-year high of 94 rigs.

Outlook

- Change in weather condition and export demand is likely to support natural gas prices. It may trade firm while above the key support level of 50 days EMA at \$2.649 and 200 days EMA of \$2.563, Natural gas prices may face resistance near \$2.829 and \$2.914.

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