
Natural Gas prices may trade higher on expectations of an increase in demand

Silver to find support around \$26.994 level

Zinc - upside momentum persists

NATURAL GAS PRICES MAY TRADE HIGHER ON EXPECTATIONS OF AN INCREASE IN DEMAND

- US Natural Gas futures, on Wednesday held near an eight-month high. Gas prices are up on expectations of hot weather. It would boost NG demand from power companies. The heat wave in California is keeping electricity prices up.
- According to The Commodity Weather Group, the hot weather in the West may move into the Midwest, and Northeast during August 22-26, and similar conditions may continue for the next 15 days. The US Climate Prediction Center recently forecasted warmer-than-normal temperatures across the U.S. from August to October.
- Meanwhile, export demand has picked up for Natural Gas. According to Bloomberg, Natural Gas flows to LNG export plants on Monday were at 4.87 bcf/day, which were 3.3 bcf/day in July'20 and highest since June'20.
- Bloomberg data suggests that US Natural Gas production continues to be weak, US lower-48 state dry gas production Tuesday was down -8.3%, y/y, at 85.341 bcf/d.
- The Weekly Natural Gas inventory report will be released later today. The EIA report last week showed that Natural gas in storage was 3,332 bcf as of Friday, August 7, 2020. It was a net increase of 58 bcf from the previous week; Stocks were 608 bcf higher than last year at this time, and 443 bcf above the five-year average of 2,889 bcf. At 3,332 bcf, total working gas is above the five-year historical range.

Outlook

- Natural Gas prices may trade higher on expectations of an increase in demand, due to the heat wave the in US, and easing lockdown in the US in coming months. Natural Gas prices are likely to find an immediate resistance near \$2.494 and \$2.555 levels, while key support levels are seen around the 10-Days EMA at \$2.26, and the 20-Days EMA at \$2.135.

SILVER TO FIND SUPPORT AROUND \$26.994 LEVEL

- Silver prices traded lower yesterday, on some long liquidation pressures, after the sharp rally seen in the past week. Precious metals are seeing some downward pressure, due to the strength in the Dollar Index, which has stabilized near a two-year low.
- In a major relief, the US Covid statistics have improved last week. The 5-day average of new U.S. Covid infections has dropped to a 7-week low of 40,417 cases, according to Johns Hopkins, down from July's peak near 70,000 cases.
- However, precious metals prices will continue to receive support from US-Chinese tensions.
- On the US-China trade war front, US ends extradition, and tax pacts with Hong Kong, as President Trump mounts pressure on China. Meanwhile, China has responded with retaliatory measures against U.S. senators, and human rights activists, although Beijing has so far avoided senior White House officials.
- President Trump, on Tuesday, has said that he was the one who called off Saturday's 6-month review of the US-China phase-one trade deal, because "I don't want to talk to China right now." The Trump administration on Tuesday sent a letter to universities, encouraging their

endowments to divest Chinese stocks, in the event that they are delisted, due to tighter listing rules.

- ▲ The Federal Reserve's policymaking body released minutes on Wednesday, of its July 28-29 meeting, and expressed concerns about the coronavirus's continuing impact on the economy. The minutes underscored the need for a fiscal package, and Chairman Powell has been adamant, that we need to see another package, especially because they see the negative effects of the slowdown.

Outlook

- ▲ Silver trend is looking positive, on US-China trade tensions, and weakness in the US dollar. It may find a strong support around the 10-Days EMA at \$26.994, and the 20-Days EMA at \$26.086; meanwhile, key resistance levels could be seen around \$27.994 and \$28.332 levels.

ZINC - UPSIDE MOMENTUM PERSISTS

- ▲ Zinc continues to rise, surpassing our upside targets of \$2,440 & \$2,470 mentioned earlier; pickup in demand from Asia has contributed to boost zinc prices to the highest point since November 2019.
- ▲ China boosted financial liquidity to keep the country's recovery on track. The People's Bank of China added 700 billion Yuan (\$101billion) of one-year funding; this has also helped improve the sentiment for base metals.
- ▲ SHFE inventory for Zinc has declined in China; inventory (on warrant), since 1st April, has declined by 58%, from 87,713 mt, to 36,460 mt. On the other hand, inventory on the LME, has increased by 338%, from 48,775 mt, to 213,650 mt. It is the drawdown in the Chinese inventory that is keeping the Zinc rally going, along with the positive sentiment in the base metals space.
- ▲ Zinc parity (price comparison between the LME, & the SHFE in terms of Yuan adjusted for Vat and currency), is currently trading at 623 Yuan, which is above the zero level, indicating Chinese demand.

Outlook

- ▲ Zinc is trading above the 20-Day SMA, with RSI in positive territory. The uptrend looks to be intact for Zinc. It looks set to rise further towards \$2,550 & \$2,575 levels, while support is seen at \$2,425-\$2,380 levels.

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