
Robust demand is likely to support nickel prices
Natural Gas is likely to remain firm on weather forecast
Stimulus hope is keeping silver afloat

ROBUST DEMAND IS LIKELY TO SUPPORT NICKEL PRICES

- ▲ Nickel prices rallied to 11-month highs on Monday, and are now trading at \$15,700. Robust demand from stainless steel mills is supporting this rally, in the backdrop of a lower dollar, and healthy growth in China.
- ▲ Nickel prices found additional support from delays in Indonesian production capacity expansion, which will result in short-term shortage of raw materials for the EV industry.
- ▲ Meanwhile, International Nickel Study Group (INSG) expects global demand for nickel at 2.52 million tonnes in 2021, from 2.32 million tonnes this year. As per the INSG, expectations are for an 117,000 tonne surplus this year, and a surplus of 68,000 tonnes next year.
- ▲ On the economic data front, nickel prices also found support from Chinese Gross Domestic Product (GDP) data, which shows a growth at 4.9%, year-on-year, in the July to September quarter, which was above the 3.2% in the second quarter. Industrial output also rose 6.9%, year-on-year, in September, from 5.6%, in August.

Outlook

- ▲ Nickel prices are likely to continue their positive move, while remaining above the key support level of the 20-days EMA of \$14,902. Meanwhile, a critical resistance could be seen around \$15,755-\$15,987 levels.

NATURAL GAS IS LIKELY TO REMAIN FIRM ON WEATHER FORECAST

- ▲ Strong consumption demand is likely to provide support to Natural Gas prices. According to a Bloomberg report, US consumption on Monday was up +1.3% y/y, at 68.8 bcf.
- ▲ Natural gas prices found support from the weather forecast by the Commodity Weather Group. According to this report, temperatures are expected to drop to below-normal in the next 11-15 days in the eastern half of the U.S. Another agency, Maxar, has said that cold temperatures would move into the Midwest and South, from October 25-29.
- ▲ According to a Bloomberg report, U.S. gas production on Monday was down -7.6% y/y, at 88.616 bcf/d. A drop in production is positive for Natural Gas prices.
- ▲ Meanwhile, Baker Hughes reported last Friday that the number of active U.S. natural gas drilling rigs in the week ended October 16, rose by +1 rig, to 74 rigs, which modestly above the record low of 68 rigs, which was posted in the week ended July 24.
- ▲ An EIA report has shown on last Thursday that gas inventories for the week upto October 9 rose +46 bcf, to a 3-3/4 year high of 3,877 bcf. Inventories are still up +10.2% y/y, and are +10.0% above the 5-year average.
- ▲ According to the CFTC Commitments of Traders report for the week ended October 13, net long positions in Natural Gas futures added +450 contracts to 69,178 contracts.

Outlook

- ▲ Natural Gas prices for the November expiry contract are likely to find minor resistance around \$2.96-\$3.042 levels. Meanwhile, key support levels could be seen around the 10-days EMA at \$2.731, and the 50-days EMA at \$2.423.

STIMULUS HOPE IS KEEPING SILVER AFLOAT

- ▲ Silver prices are trading near \$24.60, after a rally till \$25.120, on Monday. Bullion prices pushed higher, following a weakness in the US dollar, and hopes for additional U.S. pandemic stimulus.
- ▲ Silver and other industrial metal prices found support from increasing optimism about China's economic condition. China's September industrial production rose +6.9% y/y, stronger than expectations of +5.8% y/y, and the most in 9 months. Also, China's September retail sales rose +3.3% y/y, stronger than expectations of +1.6% y/y, and the most in 9 months.
- ▲ US Treasury Secretary, Mnuchin, and House Speaker, Pelosi, set a Tuesday deadline for more progress with Republican negotiators on a pandemic stimulus package before the November 3 election. President Trump countered by saying that he could persuade Republicans to back a "good" deal.
- ▲ On the economic data front, The U.S. October NAHB Housing Market Index unexpectedly rose +2, to an all-time high of 85 (data from 1985), stronger than expectations of unchanged at 83.
- ▲ Comments on Monday from Fed Vice Chair, Clarida, were supportive of bullion prices when he said, "additional support from monetary and likely fiscal policy will be needed as it will take some time to return to the levels of economic activity and employment that prevailed at the business cycle peak in February."
- ▲ According to the CFTC Commitments of Traders report for the week ended October 13, silver futures' net long strength slipped by -469 contracts to 40,788 contracts.

Outlook

- ▲ Silver prices are likely to find support near the 100-days EMA at \$23.72, and the 200-days EMA at \$21.82. Meanwhile, critical resistance is seen near \$25.98-26.83 levels.

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