
Silver jumped to the highest level in almost seven years
US Natural Gas prices trading higher on hotter weather forecast
Aluminum continues to trade higher

SILVER HITS HIGHEST LEVEL IN ALMOST SEVEN YEARS

- Silver prices rallied to a seven-year high on expectations that there'll be more stimulus measures to help the global economy recover from the coronavirus pandemic. However, demand-supply imbalance could be seen due to production shortage at some copper mines (which are also a source of silver). The Silver Institute, earlier this month, forecasted a 7% decline in mine production in 2020, on disruptions due to Covid-19.
- European Union leaders, on Tuesday, sealed a 750 billion euro recovery plan, while White House officials and top congressional Democrats discussed another round of relief, which would include extended unemployment insurance, and more money for schools.
- The Dollar Index held near a more than four-month low and this also supported Silver prices.
- Precious metal prices are likely to remain firm, as Coronavirus cases continued to surge in the United States, and crossed the 15-million threshold globally.
- On the economic data front, Japan's factory activity contracted for a 15th straight month in July.

Outlook

- Silver markets look bullish at the moment, looking at various fundamental reasons, such as shortage in production, and increasing demand. A technical breakout above \$22.49 per ounce could push prices towards the next important resistance of \$24.90 per ounce, while key support remains around \$21.13 per ounce

US NATURAL GAS PRICES TRADING HIGHER ON HOTTER WEATHER FORECAST

- U.S. Natural Gas prices are trading higher today, after a 4% decline on Monday, as power generators are consuming record amounts of gas this week, to keep providing electricity to air conditioner users. Natural gas replaced coal in the production of electricity. During the summer season, the demand for cooling increases the power requirements.
- US natural gas demand is likely to improve this week, on expectations of hotter weather, and an expected rise in exports could also support prices. According to Refinitiv estimates, Natural Gas exports could rise from 92.3 billion cubic feet per day (bcfd) this week to 93.6 bcfd next week. Pipeline gas flowing to U.S. LNG export plants averaged 3.4 bcfd (35% utilization) so far in July, down from a 20-month low of 4.1 bcfd in June, and a record 8.7 bcfd in February. Utilization was about 90% in 2019.
- According to a Refinitiv report, production in the lower 48 U.S. states averaged 88.3 bcfd so far in July, up from a 20-month low of 87.0 bcfd in June, but still well below the all-time monthly high of 95.4 bcfd in November.
- The EIA will release the official weekly Inventory Report on Thursday, which could provide fresh direction to the prices.
- The US oil and gas rig count, an early indicator of future output, fell by 5, to an all-time low of 253, in the week ending July 17, according report from Baker Hughes. This week's report will be released on July 24.

Outlook

- Natural gas prices on CME could find important support around \$1.6150 Mmbtu, while a key resistance level is seen around 1.719 Mmbtu. The trend is still looking weak, unless it breaks and trades above the 20-DMA, around 1.719 Mmbtu.

ALUMINIUM CONTINUES TO TRADE HIGHER

- Aluminium continues to rise, as the three-month LME aluminum touched its highest level, since March 2020; the trend is bullish for all base metals, though aluminium has underperformed other metals. Today, SHFE aluminium is trading near 14,380 Yuan, up about 1% from yesterday's close.
- Aluminium SHFE prices are trading at a significant premium to that of LME prices, and have shot up more, as compared to the LME price. Inventory (on warrant), at SHFE, has shrunk by 64%, to 109,132 mt, while LME inventory has increased by 36.40% to 1,383,850 mt, since 1st April 2020; this has given rise to the prices in China being at a premium to that in London. Parity, which is the difference between the SHFE and the LME, after calculating for the VAT and the currency, has hit 800 Yuan, indicating a strong trend for Chinese aluminium, driven by fundamental demand for the metal.

Outlook

- Aluminium is trading above the 20-day SMA, in a higher high, higher low formation, indicating the trend to be positive. Aluminium has already achieved our previous mentioned target of \$1,700, and it could rise further towards \$1,720 & \$1,735 levels, while support is seen at \$1,640 & \$1,610 levels.

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