
Natural Gas prices drop on expectations of export demand drop

Nickel - Near a support zone

Rally in Dollar Index and long liquidation in Silver have pushed prices down

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- ▲ Natural Gas October expiry contract dropped to its lowest level in nearly two months, on speculation that Tropical storm, Beta, will spur power outages, leading to lower demand with lower US LNG exports along the Gulf Coast.
- ▲ According to Bloomberg data, demand from power generators was estimated at just less than 30 bcf for Monday, the lowest for any September 21 date, since 2015.
- ▲ Prices were also under pressure, due to weakness in export demand. Gas flows to USLNG export terminals were at 5.6 bcf on Monday which was down 33% from Friday.
- ▲ Meanwhile, the Commodity Weather Group expects warmer-than-normal temperatures from September 25th to October 2nd, which will boost air cooling demand.
- ▲ As per Bloomberg data, US Natural gas productions were down by 7%, to 86.551 on Monday.
- ▲ Baker Hughes last Friday reported that the number of active US natural gas drilling rigs in the week ended September 18 rose by +2 rigs, to 73 rigs.
- ▲ Increasing inventory in the US is going to keep natural gas prices under pressure. Last Thursday's weekly EIA report showed that gas inventories rose +89 bcf last week to 3,614 bcf, which was above the consensus of +77 bcf, and the 5-year average of +77 bcf.

Outlook

- ▲ A drop in demand and increasing US inventory is going to keep natural gas prices under pressure. However, it may find some support from warmer weather than anticipated earlier. Nymex Natural gas October expiry contract is likely to find key support levels around \$1.74-\$1.64 and \$1.49. Meanwhile, critical resistance is seen around the 5-days EMA at 1.978, and the 10- days EMA at 2.106.

Nickel – near a support zone

- ▲ Nickel prices on the London Metal Exchange, after hitting the high of \$15,812 on 3rd September, have declined to \$14,600. The medium term trend remains positive, and this looks to be an organic correction.
- ▲ On the inventory side, inventory at SHFE increased by 6%, from 27,538 mt, on 1st April, 2020, to 29,234 mt, on 21st September, 2020, while at the LME, the inventory increased by 3%, from 174,108 mt, to 178,830 mt, during the same time period. Parity, which is the difference between the SHFE and the LME (in terms of Yuan) after calculating for VAT and the currency, is currently trading at 569 Yuan.
- ▲ Nickel cash to three months difference, which is the difference between cash and rolling three months on the London Metal Exchange is trading at a discount of \$34, indicating sufficient near term supply.

Outlook

- ▲ Nickel is trading below the 20-days SMA, but is trading near the change of polarity support, indicating that buying interest could be seen just below current levels. We can expect nickel to rebound towards \$14,750 & \$14,950 levels, while support is seen around \$14,435 & \$14,300 levels.

Rally in Dollar Index and long liquidation in Silver have pushed prices down

- ▲ Silver and Gold prices witnessed a heavy sell-off on Monday, due to strength in the Dollar Index, and long liquidation in precious metals.
- ▲ Silver prices found additional pressure from the rising covid-19 cases, and another round of lock down could result in a decrease growth and metals demand. In Europe, Germany's Health Minister has said that the trend of new Covid cases is "worrying," and the UK has said that the rate of Covid infections could reach around 50,000 per day, by mid-October, without curbs.
- ▲ On the economic data front, the US August Chicago Fed National Activity Index unexpectedly fell -1.75 to 0.79, weaker than expectations of an increase to 1.19.
- ▲ Comments on Monday from the ECB President, Lagarde, were bullish for gold, but bearish for industrial metals demand and silver prices. ECB President, Lagarde, said that the "strength of the recovery remains very uncertain, as well as uneven and incomplete," and the ECB stands ready to adjust policy, if needed.

Outlook

- ▲ Silver prices likely to face stiff resistance near the 20-days EMA at \$26.66, and the 50-.days EMA at \$25.726. Meanwhile, an immediate support could be seen around the 100-days EMA at \$23.579, and the 200-days EMA at \$21.156.

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