
Silver is leading the tally
Natural Gas prices are likely to trade negative
Nickel is likely to continue its bull run

SILVER IS LEADING THE TALLY

- ▲ A sell-off in the dollar index on Monday to a 1-1/4 month low boosted bullion prices, however silver is leading the tally. Silver prices have been outperforming gold from last three months where Silver prices have rallied from November closing of \$22.59 to \$28.20 (+24.8%) at current levels meanwhile gold prices have are marginally up from November closing of \$1,780.9 to \$1,810 (+1.63%). Bullion prices are up on expectation that Fed Chair Powell's semi-annual monetary policy report to the Senate Banking Committee will be dovish.
- ▲ On economic data front, The U.S. Jan Chicago Fed national activity index unexpectedly rose +0.25 to 0.66, against expectations of -0.02 to 0.50. Also, Jan leading indicators rose +0.5% m/m, against expectations of +0.4% m/m. Also, the Feb Dallas Fed manufacturing activity index unexpectedly rose +10.2 to a 4-month high of 17.2, stronger than expectations of a decline to 5.0.
- ▲ Precious metals are finding support from expansionary government policies. German Chancellor Merkel's government is likely to boost debt spending by an additional 50 billion euros to fight the fallout from the pandemic.
- ▲ However, rising bond yield globally is likely to keep a cap on metals prices. The 10-year T-note climbed to an 11-3/4 month high of 1.393% on Monday. On Monday, The 10-year UK gilt yield rose to an 11-month high of 0.739%, and the 10-year German bund yield rose to an 8-1/2 month high of -0.279%. Also, The 10-year Japan JGB bond yield climbed to a 2-1/4 year high of 0.126%. Policy makers are becoming uncomfortable with the recent surge in yields. ECB chief Christine Lagarde said that The European Central Bank is "closely monitoring" nominal government bond yields.

Outlook

- ▲ Silver prices are likely to trade firm while above 20 days EMA at \$27.20 and 50 days EMA at \$26.56 while key resistance level is seen around \$28.93-\$29.52

NATURAL GAS PRICES ARE LIKELY TO TRADE NEGATIVE

- ▲ Natural gas prices are likely trade lower on expectation of warmer weather forecast as it will reduce heating demand in US. Forecasting agency Maxar have said that warmer temperatures are expected for the U.S. South from Feb 27-Mar 3, and those above-normal temperatures are expected in the eastern half of the U.S. from Mar 4 - Mar 8.
- ▲ Natural Gas prices are trading lower due to a drop in domestic and export demand. On Monday domestic demand in US fell -3.8% y/y to 88.8 bcf. Natural gas flows to export terminal also fell -6% y/y to 8.63 bcf on Monday. As per Bloomberg data, Last Wednesday, gas flows to export terminals slumped to 3.9 bcf, down -63% w/w and the lowest in 5 months.

- ▲ However NG prices are receiving support from a drop in production due to cold weather and

increasing electricity production. US electricity output in the week ended Feb 13 rose +8.5% y/y to 83,686 GWh (gigawatt hours). Also, Gas production on Monday dropped -12.9% y/y to 81.918 bcf/d, moderately above last Wednesday's 4-year low of 69.045 bcf/d.

- ▲ Meanwhile Natural Gas current inventories are down -2.6% y/y and are +2.6% above the 5-year average as per latest EIA report.
- ▲ Baker Hughes reported that the number of active U.S. nat-gas drilling rigs in the week ended Feb 19 rose +1 rig to 91 rigs.

Outlook

- ▲ Natural gas prices are likely to trade negative while below key resistance level of \$3.098-\$3.166, immediate support is seen around 50 days EMA at \$2.833 and 100 days EMA at \$2.688

Nickel is likely to continue its bull run

- ▲ Nickel prices are current holding near heights level since 2014 at \$19,482 on the backdrop of increasing economic optimism in US and China.
- ▲ Monday's global economic data was positive for metals demand and nickel prices. The U.S. Jan Chicago Fed national activity index unexpectedly rose +0.25 to 0.66, against expectations of -0.02 to 0.50. Also German Feb IFO business climate index rose +2.1 to a 4-month high of 92.4, against expectations of 90.5.
- ▲ Meanwhile, as per latest report from Reuters, Chinese imports of refined nickel fell by 32% year-on-year to 130,700 tonnes in 2020. It was the lowest annual total since 2014. China is buying lots of raw material, leaving the refined market undisturbed so there is drop in refined imports. It is observed that China's stainless steel sector is absorbing more Indonesian nickel pig iron (NPI). China's refined metal imports slid last year but NPI boomed, up 80% from 2019 at 3.4 million tonnes. The flow of Indonesian NPI to China's stainless steel sector increased from just 600,000 tonnes in 2018 to 2.7 million tonnes in 2020.
- ▲ Base metals prices are also trading higher as weakness in dollar index continued further. US President Joe Biden's \$1.9 trillion stimulus package is likely to pass at the end of the week, while the Fed Chairman Powell reiterated the central bank's commitment to easy money policies is likely to support metals demand in US.
- ▲ LME warehouse stock for Nickel now stand at 249,150 mt as on 22nd Feb 2021 which have increased nearly 24,450 mt in last one year however SHFE warehouse stock stand at 12,221 mt as on 22nd Feb 2021 which have dropped nearly 23,248 mt in last one year. A drop in SHFE stock is indicating strong physical demand in China.

Outlook

- ▲ Nickel prices are likely to trade firm while above key support level of \$19,180 and \$18,851 while key resistance level is seen around \$20,436 and \$20,765.

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