
Silver prices are likely to trade firm

Weather forecast is keeping Natural Gas prices lower

Increasing inventory is keeping Lead prices under pressure

SILVER PRICES ARE LIKELY TO TRADE FIRM

- Silver prices are trading moderately higher from the last two trading sessions, due to weakness in the US dollar, after President Donald Trump threatened to veto a long-awaited pandemic relief bill. Silver prices also found support, after news that Britain and the European Union appeared close to a trade deal on Wednesday.
- Precious metals are up on safe-haven demand. The spread of a more contagious variant of the virus in England has forced the country to impose strict restrictions.
- On the economic data front, US November personal spending fell -0.4% m/m, weaker than expectations of -0.2% m/m, and the biggest decline in 7 months, while November personal income fell -1.1% m/m, weaker than expectations of -0.3% m/m. Also, November new home sales fell -11.0%, to a 5-month low of 841,000, weaker than expectations of 995,000. U.S. weekly initial unemployment claims fell by -89,000 to 803,000, showing a stronger labour market than the expectations of 880,000.
- The worsening pandemic situation is curbing global economic growth, and this is likely to keep precious metal prices firm. The overall number of global coronavirus cases has topped 78.6 million, while the deaths have surged to more than 1.72 million, according to the Johns Hopkins University.

Outlook

- Silver prices are likely to find support near the 100-days EMA at \$24.13, and the 200-days EMA at \$23.00. Meanwhile, a key resistance is seen near \$26.24 and \$27.40 levels.

WEATHER FORECAST IS KEEPING NATURAL GAS PRICES LOWER

- Natural Gas January expiry contract on Nymex settled sharply lower after the Weather Company on Wednesday said that temperatures across the southern and eastern US during the period December 28 -January 1, are expected to be warmer than previously expected. Also, higher-than-normal temperatures are expected for the northern tier of the U.S. during the period January 2-6.
- Natural Gas prices are also under pressure, due to weak US consumption demand. According to Bloomberg data, Natural Gas consumption in the US on Wednesday was down -2.6% y/y, at 84.5 bcf. Reduced demand from electricity providers is likely to keep gas prices under pressure.
- However, Natural Gas is getting support from increasing export demand. Gas flows to US LNG export terminals on Wednesday were up +55% y/y, at 11.5 bcf.
- US gas production is likely to provide support. According to Bloomberg data, US dry gas production on Wednesday was down -2.8% y/y, at 91.781 bcf/d.
- Natural Gas prices extended their losses on Wednesday, after the EIA reported that weekly natural gas inventories fell -152 bcf, a smaller draw than expectations of -163 bcf. Current

Inventories are up +10.0% y/y, and are +6.5% above the 5-year average.

Outlook

- ▲ Natural Gas January expiry contract is likely to find support near the 200-days EMA \$2.39. Natural Gas may continue its negative trend, while remaining below the critical resistance level of the 20-days EMA at \$2.69.

INCREASING INVENTORY IS KEEPING LEAD PRICES UNDER PRESSURE

- ▲ Lead prices are trading weak from the last four weeks, on account of increasing inventory at the LME, and fears of demand loss, after the development of a more infectious variant of the novel coronavirus, which will slow down the global economic recovery, and the demand for metals.
- ▲ LME warehouse Lead inventories have increased by 66,800 mt in the last one year, which is 49% of the current stock at 133,775 mt, as on 23rd December, 2020. Meanwhile, SHFE Lead inventory stands at 43,789 mt, which has increased by 31,234 mt in the last three months, and which is 71% of the total current stock, as on 23rd December, 2020.
- ▲ Also, cash lead on the LME flipped from a \$4 premium last week, against the three months contract, to a \$26 discount, which is indicating ample supplies.
- ▲ As per the International Lead and Zinc Study Group data, the global lead market is oversupplied this year, and a surplus is expected in 2021.

Outlook

- ▲ Lead prices are likely to remain under pressure, while remaining below the critical resistance around \$2,030-\$2,110. Meanwhile, key support could be seen around \$1,931 levels.

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