
High air cooling demand has helped support Natural Gas markets
Silver cools down after a 22% rally in five days
Copper retreats as US-China tensions flare up

HIGH AIR COOLING DEMAND HAS HELPED SUPPORT NATURAL GAS MARKETS

- ▲ US Natural Gas futures jumped over 6% on Thursday, and had marginal losses in early session today. High air conditioning demand during a heat wave is expected to keep Natural Gas prices firm.
- ▲ A couple of storms are brewing in the Gulf of Mexico, which also supported the prices. A tropical depression 8 is expected to strengthen into a tropical storm in the Gulf of Mexico over the next day or two, as it moves towards the Texas coast.
- ▲ The US Energy Information Administration (EIA) has said that inventories rose by 37 billion cubic feet (bcf) of gas into storage for the week ended July 17. Expectations were for a 45 Bcf build during this week. Natural Gas in storage was 3,215 Bcf, as of Friday, July 17, 2020. Stocks were 656 Bcf higher than last year at this time, and 436 Bcf above the five-year average of 2,779 Bcf. At 3,215 Bcf, total working gas is within the five-year historical range.
- ▲ US Natural Gas production averaged 88.4 billion cubic feet per day (bcfd) 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.
- ▲ According to Reuters, U.S. demand will hold around 92.7 bcfd this week, and the next. Meanwhile, pipeline gas flowing to US LNG export plants has averaged 3.4 bcfd (35% utilization) in July, down from a 20-month low of 4.1 bcfd in June, and a record 8.7 bcfd in February.

Outlook

- ▲ Natural Gas prices surged more than 6% on Thursday, and are trading with minor losses today. It could find stiff resistance near the 50DMA at 1.81. Any close above this could support a further bullish move towards 1.92; meanwhile, strong support could be seen around 10DMA at 1.73. NG could trade higher, if the storm hits an area with offshore oil and gas production assets. It could temporarily halt or reduce gas production. But, rising inventory in the US could place a lid on a further rise.

SILVER COOLS DOWN AFTER A 22% RALLY IN FIVE DAYS

- ▲ Silver traded down, after a 22% rally in five days. It was diverging for the first time this week, from its joint rally with gold. Precious metals are trading higher this week, on the back of the dollar's drop, and renewed US-China tensions, also boosted the safe-haven appeal.
- ▲ On the economic data front, some 1.4 million Americans filed for first-time unemployment claims last week, as a new wave of coronavirus infections continued to increase.
- ▲ The United States recorded more than 915,000 Covid-19 cases over the past two weeks, more than the number reported for all of June. Top U.S. pandemics expert Anthony Fauci has said that the daily case growth could reach 100,000 without proper social distancing, and other safety measures. Nearly 4 million Americans have already been infected by the COVID-19.

Outlook

- ▲ Silver prices corrected marginally after a 22% rally in the previous five sessions; the \$20.00 level would provide a massive support. A pull back towards the \$21 level could be fresh technical levels to enter long; we can expect recovery from these levels. A weakness in the US Dollar, tensions with China, and rising coronavirus cases, is likely to keep supporting precious metals. Silver prices could get additional support from industrial demand, along with low mining production.

COPPER RETREATS AS US-CHINA TENSIONS FLARE UP

- ▲ Copper is trading down 1.80%, as tensions between the US and China flared up, after China revoked the license for the US consulate in Chengdu, in retaliation to the closure of China's Houston consulate, by the US on Tuesday. The move is a "legitimate and necessary response to the unreasonable measures by the United States", the Chinese Foreign Ministry said in a statement.
- ▲ Earlier, Pompeo said in a California speech "We closed down China's consulate in Houston, because it was a hub of spying and intellectual property theft". It seems that the diplomatic row has erupted, and is snowballing with verbal volleys, as well as actions by both sides against each other. This has had a negative impact on base metal prices, including copper.
- ▲ On the inventory side:- Inventory at the SHFE declined by 72%, from 216,414 mt on 1st April 2020, to 60,240 mt on 23rd July 2020, while at LME, the inventory declined by 68.50% from 177,250 mt, to 55,950 mt, during the same time period.
- ▲ The sentiment is getting hampered due to rising tensions between US-China, and copper could experience some correction in the near term.

Outlook

- ▲ Copper is trading weak, and we could see it correcting in the near term towards its immediate support of 6,300 & 6,225 levels. A rebound from these support levels could be witnessed in the coming days.

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