
Silver prices are trading lower following optimism over treatment for coronavirus
US Natural Gas prices rallied on hotter temperatures and tropical storms in Mexico
Nickel – steady uptrend

SILVER PRICES ARE TRADING LOWER FOLLOWING OPTIMISM OVER TREATMENT FOR CORONAVIRUS

- Bullion prices traded negative and global equities rallied on Monday, following optimism about Covid treatments. There is a possibility that the Trump administration may fast-track vaccines, and treatments for Covid.
- On the economic data front, the US Jul Chicago Fed National Activity Index fell -4.15, to 1.18, and was weaker than expectations of 3.70; data was supportive for precious metals.
- The focus is shifting towards the Fed's virtual Jackson Hole policy conference on Thursday. Fed is expected to provide some signals regarding its extremely easy monetary policies.
- Precious metal prices are being supported by the ongoing Covid pandemic. The Covid virus has now infected 23.637 million persons globally, with deaths exceeding 813,000.
- According to a Reuters report, India's silver imports are likely to fall by more than 40 percent, from a year ago, to the lowest level in eight years. As per GFMS data, India imported nearly 5,598 tonnes of silver in the year 2019, which is projected to be 3,000 tonnes in the year 2020. India's silver imports in the first seven months of the year nearly halved from a year ago, to 1,900 tonnes. This drop in imports is going to have a negative impact on global silver prices.
- Precious metals were also under pressure, as talks between top Democrats and Republicans on coronavirus aid legislation remained stalled.

Outlook

- Silver is expected to trade in a range, ahead of the Jackson Hole policy conference on Thursday. Immediate support level could be seen around the 20-days EMA at \$26.21, and the 50-days EMA at \$23.81; meanwhile, an immediate resistance is seen near the 5-days EMA at \$26.73, and the 10-days EMA at \$26.91 per ounce.

US NATURAL GAS PRICES RALLIED ON HOTTER TEMPERATURE FORECAST AND TROPICAL STORMS IN MEXICO

- US Natural Gas futures contract on Nymex is trading near a 9-month high, on the backdrop of hotter-than-normal U.S. temperatures forecast for this week, reduced US production, and two tropical storms, heading towards the Gulf of Mexico.
- Natural Gas prices rallied, after the Commodity Weather Group forecast of above-normal temperatures for the US Midwest and the East Coast for this week. Natural Gas is used for producing electricity, which is used for cooling by households. According to a Bloomberg report, temperatures during July were the hottest in 20 years.
- The tropical storms, Marco and Laura, are moving into the Gulf of Mexico. About 45% of US NG production, or about 1.2 million cubic feet per day of production, has been closed in the Gulf of Mexico, ahead of the storms.
- According to a Bloomberg report, Natural Gas exports are up nearly 4.8%, week-on-week, to 5.1 bcf per day on Monday. Meanwhile, US NG production continues to be weak.
- According to a rig count report by Baker Hughes, the number of active US NG drilling rigs in the week ended August 21, fell by 1 rig to 69 rigs.

Outlook

- Natural Gas prices may trade higher, on expectations of an increase in demand, due to the heat wave in the US, and easing lockdowns in the US in coming months. Tropical storms in Mexico are likely to provide additional support to NG prices this week. Natural Gas prices may find an immediate resistance near \$2.70 and \$2.91 levels, while key support levels are seen around the 5-days EMA at \$2.334, and the 10-days EMA at \$2.138.

NICKEL – STEADY UPTREND

- Nickel continues to trade higher, as the metal continues to trade near the highest level since November, 2019, on the London Metal Exchange. It looks set for a further rise in the near term; it has already achieved our previously mentioned target of \$14,800.
- The sentiment for base metals is likely to get a boost, as the United States and China had a review call over the US-China trade deal, which had been previously postponed for unknown reasons.
- On the inventory side, inventory at SHFE increased by 19%, from 27,538 mt, on 1st April 2020, to 32,729 mt, on 24th August 2020, while at LME, the inventory increased by 3%, from 174,108 mt, to 179,622 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 502 Yuan.

Outlook

- Nickel continues to rise, as the trend remains positive, with the metal trading above the short-term moving averages. We can expect nickel to rise towards \$15,100 & \$15,300 levels, while support is seen around \$14,500 & \$14,200 levels.

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Prepared by:

Mr. Kamlesh Jogi | Market Research Analyst

email: kamlesh.jogi@abans.co.in

Phone: +91 22 68354176 (Direct)

Abans Broking Services (P) Limited

36, 37, 38A, 3rd Floor, 227 Nariman Bhavan, Backbay Reclamation, Nariman Point, Mumbai-400 021

Phone +91 22 61790000 | Fax +91 22 61790000

Email: info@abans.co.in | Website: www.abans.co.in

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