
Change in weather forecast is supporting natural gas prices
Nickel likely to trade firm
Silver rebounds from support levels

CHANGE IN WEATHER FORECAST IS SUPPORTING NATURAL GAS PRICES

- ▲ January Natural Gas prices are currently trading near 2.843, after a rally yesterday in the backdrop of a change in weather forecast. According to forecasting agency, Maxar, cooler-than-normal temperatures are expected in the eastern U.S. from November 29 to December 4, and even the Commodity Weather Group has said on Monday said that temperatures would remain cooler-than-normal in the South from December 3-7.
- ▲ Improving exports are likely to support Natural gas prices further, as per a report from Bloomberg; exports were up +37% y/y at 10.1 bcf on Tuesday.
- ▲ However, the La Nia weather pattern is likely to lead to warmer-than-normal winter temperatures from California to Florida, and this is likely to keep prices under check.
- ▲ US Natural gas usage has reduced, and total US consumption was down -1.1% y/y at 79 bcf on Tuesday, as per a Bloomberg report. Meanwhile, Edison Electric reported that U.S. electricity output for the week ending November 14 was down -9.5% y/y at 69,222 GWh (gigawatt-hours), which is also looking negative for Natural gas prices.
- ▲ As per the Bloomberg data, US Natural gas production on Tuesday was down by -3.4% y/y at 92.708 bcf/d, which is likely to support NG prices.
- ▲ Natural Gas prices are likely to get further direction from a weekly inventory report, which will be released later today. Meanwhile, in the latest inventory report for the week of November 13, inventories rose +31 bcf to a nearly 4-year high of 3,958 bcf, which was higher than market expectations for a +20 bcf increase. Total Inventories are up +8.8% y/y, and are +6.2% above the 5-year average.

Outlook

- ▲ Natural Gas January expiry contract is likely to find support at the 50-days EMA at 2.729, and the 100-days EMA at \$2.517. We expect natural gas prices to face stiff resistance near the 3.049-3.211 range, and the downtrend may continue if it doesn't sustain above key resistance levels.

NICKEL LIKELY TO TRADE FIRM

- ▲ Nickel prices are trading near \$16,200, with a positive trend from five trading sessions. An increased optimism over a coronavirus vaccine, and stimulus hopes from the US, are likely to provide support in the near term.
- ▲ Nickel prices are trading firm, following a rally in steel prices in China. China's stainless steel mills face higher costs for the essential ingredient ferrochrome, if as expected, South Africa goes ahead with proposals to impose taxes on exports of chrome ore.
- ▲ Chinese PM, Li, indicates a strong rebound for the economy next year. Increased optimism over China's economic growth is likely to keep base metals prices firm. Li reiterated China's economic strategy of allowing consumption to play a leading role in driving growth, and gradually opening up to foreign investors.
- ▲ Meanwhile, LME warehouse Nickel inventory now stands at 240,174mt as of November 24,

which has increased by 173,424 in the last one year, and which is nearly 72% of the total current inventory.

Outlook

- ▲ Nickel prices are likely to find support near the 20-days EMA of \$15,824, while a critical resistance is seen near 16,430-16,600 levels. We expect the positive trend to continue further, on the back of the improved economic condition in China, and stimulus hopes from the US.

SILVER REBOUNDS FROM SUPPORT LEVELS

- ▲ Silver prices rebound after registering a low of \$22.935 per ounce on Tuesday. Currently, silver prices are holding near \$23.50 per ounce. Selling continued on Tuesday in Bullion, as political uncertainty has reduced in the US, after President-elect, Joe Biden, begins his formal transition process.
- ▲ Better than expected global economic data is likely to provide support to silver and other industrial metals prices. The U.S. September S&P Core Logic composite-20 Home Price Index rose +6.57% y/y, stronger than expectations of 5.30% y/y, and the largest increase in nearly 2-1/2 years. Also, German Q3 GDP was revised upward to +8.5% q/q, from +8.2% q/q, the strongest pace of expansion since the data series began in 1991. In addition, the German November IFO Business Climate Index fell -1.8 to 90.7, stronger than expectations for a decline to 90.2. The U.S. November Consumer Confidence Index fell -5.3 to 96.1, weaker than expectations for a decline to 98.0.
- ▲ Progress on a Covid vaccine and a treatment for the virus is likely to keep silver prices firm. U.S. Covid vaccinations would "hopefully" start in less than three weeks. Also, the FDA, on Saturday, approved Regeneron's antibody cocktail for Covid treatment.

Outlook

- ▲ Silver prices are likely to find support near the 200-days EMA at \$22.50. Meanwhile, key resistance is seen near \$25.81 and \$26.60 levels. Silver is likely to trade firm, after bouncing from support levels.

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