
Silver prices rallied ahead of the speech from Federal Reserve Chairman Jerome Powell
US Natural Gas prices to trade firm
Zinc – uptrend intact

SILVER PRICES RALLIED AHEAD OF THE SPEECH FROM FEDERAL RESERVE CHAIRMAN JEROME POWELL

- ▲ Silver and Gold prices rallied ahead of the speech from Federal Reserve Chairman Jerome Powell on Thursday. The market expects additional economic stimulus from the Fed. A change in Fed policy stance for further stimulus measures will be bullish for bullion. Silver, being an industrial metal, outperformed gold, on positive economic data from the US.
- ▲ U.S. coronavirus aid negotiations are also being closely watched for further direction in bullion. U.S. Treasury Secretary, Steven Mnuchin, is scheduled to testify before a House of Representatives panel next week.
- ▲ On the economic data front, US durable goods orders have increased by 11.2%, from the prior month, after a 7.7% jump in June, against market estimates of a 4.8% gain. A continued surge in automobile demand pushed these numbers higher, which is likely to support the economic rebound in the coming months.
- ▲ Precious metal prices are receiving support from the ongoing Covid-19 pandemic. The coronavirus has at present infected 23.9 million persons globally, with deaths exceeding 820,000. A second wave of the coronavirus pandemic could hit France in November; a government advisor told local media on Wednesday.
- ▲ According to a Reuters report, India's silver imports are likely to fall by more than 40 percent, from a year ago, to their 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 expected to have a negative impact on global silver prices.

Outlook

- ▲ Silver prices rallied before the speech from Federal Reserve Chairman, Jerome Powell. Silver futures contract on Comex may find an immediate support level around the 20-days EMA at \$26.35, and the 50-days EMA at \$24.07; meanwhile, immediate resistance is seen near \$28.10 and \$29.70 per ounce.

U.S. NATURAL GAS DROPS ON LOWER EXPORT NEWS

- ▲ Natural gas prices dropped yesterday, on lower export news, although the storms in the Gulf of Mexico are preventing losses.
- ▲ According to a Reuters report, US NG exports, and output fell this week. On a daily basis, US LNG exports fell to 2.8 billion cubic feet per day (bcfd), as exporters shut or reduced output at their Gulf Coast terminals, ahead of Laura. Meanwhile, US NG output dropped to 84.2 bcfd.
- ▲ In early hours today, Hurricane Laura made a landfall on the Gulf Coast, with more power than Katrina. Hurricane Laura has strengthened into a major Category-4 storm, with sustained winds of 150 miles per hour, before slamming into the Gulf Coast, near the Texas-Louisiana border.

- The hurricane is threatening a center of the U.S. energy industry. Till Wednesday, 84% of Gulf oil production, and an estimated 61% of natural gas production, were shut down.

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 expected to keep gas production lower, and exports have dropped. Natural Gas prices are likely to find an immediate resistance near \$2.70 and \$2.91 levels, while key support levels are seen around the 10- days EMA at \$2.40, and the 20-days EMA at \$2.268.

ZINC – UPTREND INTACT

- Zinc had dipped slightly, after hitting its highest level since October 2019, but the metal is recovering on tailwinds of increased steel demand from China. Zinc's once of the use is for galvanizing.
- Chinese smelters began this year's regular maintenance shutdowns slightly early in June 2020; annual maintenance is usually done in July and August, when temperatures are higher, but this year the maintenance has started earlier than usual.
- SHFE inventory for Zinc has declined in China; inventory (on warrant) since 1st April, has declined by 64%, from 87,713 mt, to 31,147 mt. On the other hand, inventory on the LME has increased by 341%, from 48,775 mt, to 215,320 mt. It is the drawdown in the Chinese inventory that is keeping the Zinc rally going, along with a positive sentiment in the base metal space. Ample metal at the LME has ensured that cash zinc is trading at a discount of \$27.50 over the three-month contract, and the discount is the highest in the last three years..
- Zinc parity (price comparison between LME & SHFE in terms of Yuan adjusted for Vat and currency), is currently trading at 580 Yuan, which is above the zero level, indicating Chinese demand.

Outlook

- Zinc is trading above the 20-days SMA, with RSI in positive territory. The uptrend looks to be intact for Zinc. It looks set to rise further towards \$2,530 & \$2,565 levels, while support is seen at \$2,445-\$2,400 levels.

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