
Strength in the Dollar is likely to keep Silver prices under pressure
Natural Gas prices are up while remaining above \$2.41
Increasing warehouse inventory has pushed Zinc prices to two-month lows

STRENGTH IN THE DOLLAR IS LIKELY TO KEEP SILVER PRICES UNDER PRESSURE

- Silver prices settled mixed on Tuesday, and are trading with losses today, due to strength in the Dollar Index. Bullion prices are likely to remain under pressure, as President Biden has said that he is open to negotiating his \$1.9 trillion pandemic relief package. A lower stimulus is negative for precious metals demand. However, Silver is likely to find support from better-than-expected US economic data.
- On Tuesday, the IMF raised its 2021 global growth outlook to 5.5%, from a 5.2% projection in October, citing the rollout of Covid vaccines and more fiscal stimulus.
- Meanwhile on the economic data front, the U.S. November S&P Core Logic composite-20 home price index rose +9.5% y/y, stronger than expectations of +8.9% y/y. Also, the Conference Board's U.S. January Consumer Confidence Index rose +2.2, to 89.3, stronger than expectations of 89.0.
- Silver prices are likely to remain under pressure, on the back of the worsening covid pandemic situation. The overall number of global coronavirus cases has topped 100.03 million, while the deaths have surged to more than 2.14 million, according to the Johns Hopkins University.

Outlook

- Silver prices are likely to face stiff resistance near \$26.36. Meanwhile, key support levels are seen around \$23.88-\$22.18 levels.

NATURAL GAS PRICES ARE UP, WHILE REMAINING ABOVE \$2.41

- Natural gas found support from a change in weather forecast for the next two-three weeks. The Commodity Weather Group has said that the US West Coast would see below-normal temperatures for the next two weeks, and cold air will descend into the upper Midwest from February 5-9. Also, the Central U.S. and South should be less warm, than previously expected from January 31-February 4.
- However, the rally in Natural Gas prices would not last longer in the longer-term, due to expectations for a mild winter. Maxar is predicting this winter to be the 13th warmest winter for energy demand, going way back to 1950. In addition, the Climate Prediction Center said that this year's La Nina weather pattern would lead to warmer-than-normal winter.
- Increasing gas exports and domestic demand, along with rising electricity production in the US, are providing support to the gas prices. As per Bloomberg data, gas flows to US LNG export terminals on Tuesday rose +24% y/y, to 11.1 bcf, and domestic Natural Gas in the US, on Tuesday, rose +2.0% y/y, to 93.7 bcf. US electricity output in the week ended January 16 rose +6.3% y/y, to 79,427 GWh (gigawatt hours), however, cumulative US electricity output in the 52-week period ending January 16, was down -2.5% y/y, at 3,933,619 GWh.
- A drop in production is also supportive for gas prices. As per Bloomberg data, production on Tuesday was down -3.4% y/y, to 90.543 bcf/d.

- On the inventory front, US Natural Gas inventories, as per an EIA report for the week of January 15, fell -187 bcf, to a 7-month low of 3,009 bcf, against market expectations of -169 bcf. However Natural Gas Inventories are up +2.1% y/y, and are +7.0% above the 5-year average.
- Meanwhile, Baker Hughes reported that the number of active U.S. natural gas drilling rigs in the week ended January 22, rose by +3 rigs, to a 9-month high of 88 rigs.

Outlook

- Natural gas February month expiry contract prices are likely to find support at \$2.41, while key resistance is seen around \$2.93-\$3.06 levels.

INCREASING WAREHOUSE INVENTORY HAS PUSHED ZINC PRICES TO A TWO-MONTH LOW

- Zinc prices fell on to their lowest levels in more than two months, as inventory kept on rising at the LME. Zinc prices are also under pressure, due to increasing Covid cases in China, and the lunar year holiday, starting from 11th February, 2021.
- Zinc inventory at LME registered warehouse has increased nearly 139,350 mt in the last one year, and has reached at 189,775, as on 25th January, 2021. However Zinc inventory at SHFE stands at 11,781 mt, as on 25th January, 2021, which has increased nearly 4,471 mt in the last one month.
- The total number of confirmed COVID-19 cases in mainland China now stands at 89,272. The death toll remains at 4,636. The National Health Commission has said that 75 new confirmed cases were reported on Tuesday. Government authorities have rolled out measures, including home quarantine, travel curbs, and mass testing across the country in a bid to contain the disease, ahead of the Chinese New Year holiday in February, when hundreds of millions of people usually travel.

Outlook

- LME 3 month Zinc prices are likely to remain under pressure, while remaining below the 50-days EMA at \$2,721. Key support levels could be seen around the 100-days EMA at \$2,621, and the 200 days EMA at \$2,502.

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