
Concerns regarding industrial metals demand stifled gains in copper prices
Hot US Temperature likely to reduce Natural Gas Supplies

CONCERNS REGARDING INDUSTRIAL METALS DEMAND STIFLED GAINS IN COPPER PRICES

- LME 3 M Copper prices have risen significantly from their previous low of \$9131.75 to \$9735. Copper prices have surged as a result of China's floods, which have heightened physical demand forecasts. A weakening of the US dollar and a drop in stocks are also helping to bolster copper prices. Floods in China's Zhengzhou, in the province of Henan, have exacerbated supply issues and demand for infrastructure repair.
- As of July 27, 2021, LME Copper warehouse stock stood at 225225 metric tonnes, up 14250 metric tonnes in the prior 30 days and 70625 metric tonnes in roughly three months. Despite the fact that SHFE Copper warehouse stock has decreased dramatically in the recent 30 days. SHFE warehouse copper inventory is now at 49365 metric tonnes, down 52990 metric tonnes in the last 30 days and 78376 metric tonnes in nearly three months as of July 27, 2021.
- Gains in Copper prices were limited by concern about industrial metals demand after Goldman Sachs on Monday cut its U.S. Q3 GDP forecast to 8.5% from 9.5%. On other economic data front, The German Jul IFO business climate unexpectedly fell -0.9 to 100.8, weaker than expectations of an increase to 102.5. The Japan Jul Jibun Bank services PMI fell -1.6 to a 5-month low of 46.4.
- June new home sales in the United States surprisingly plummeted -6.6 percent m/m to a 14-month low of 676,000, falling short of expectations of a 796,000 increase. In addition, the July Dallas Fed manufacturing activity index unexpectedly plummeted -3.8 points to a 5-month low of 27.3, falling short of forecasts of a rise to 31.6.
- The global spread of the delta Covid form is also affecting industrial metals consumption, which will stymie global economic recovery. The number of people globally infected with Covid increased by 3.729 million in the week ending July 25, the greatest in two months. The seven-day average of new Covid infections in the United States hit a two-and-a-half-month high of 52,061 on Sunday.

Outlook

- Copper LME 3 M prices are projected to find support near \$9656-\$9450, while significant resistance is likely to be found around \$9953-\$10054.

HOT US TEMPERATURE LIKELY TO REDUCE NATURAL GAS SUPPLIES

- Natural gas prices are currently trading near \$4.063, a slight decrease from the recent high of \$4.187 set on July 26th. The National Oceanic and Atmospheric Administration's (NOAA) forecast for milder weather from July 31 to August 4 is keeping gas prices under pressure. The NOAA announced on Monday that cooling demand in the United States for the week ending

July 31 is expected to be 14 cooling degree days higher than the long-term average for this time of year, indicating increased air-conditioning use. A cooling degree day (CDD) is a metric for calculating the amount of energy required to cool a building. However, NOAA predicts milder weather in the Midwest and Northeast from July 31 to August 4, putting downward pressure on natural gas prices.

- Natural gas prices have surged substantially in recent days amid concerns that high summer weather in the US will raise natural gas demand from electricity providers to fuel increasing air conditioning use, further depleting already low US natural gas supplies. Inventories are -16.7 percent lower than a year ago and -6.2 percent lower than the five-year average. According to the weekly EIA report released last Thursday, natural gas inventories in the United States increased by +49 billion cubic feet to 2,678 billion cubic feet in the week ended July 16, exceeding the consensus of +43 billion cubic feet and the 5-year average of +36 billion cubic feet for this time of year.
- Export demand aided gas prices, while electricity production, domestic demand, and US gas production kept prices under pressure. According to Bloomberg, gas flows to US LNG export facilities were 10.9 billion cubic feet (bcf) on Monday, up 6.4 percent year over year. Natural gas consumption was down -2.8 percent y/y at 70.3 bcf on Monday, according to Bloomberg statistics, while gas output was up +1.8 percent y/y at 91.481 bcf. Natural gas consumption was down -2.8 percent y/y at 70.3 bcf on Monday, according to Bloomberg statistics, while gas output was up +1.8 percent y/y at 91.481 bcf.
- Baker Hughes reported that the number of active U.S. natural gas drilling rigs in the week ending July 23 stayed stable at 104, a 1-1/4-year high, significantly above the record low of 68 rigs set in July 2020.
- Natural gas futures' net short holdings climbed by 8,138 contracts to 127,542 contracts, according to the CFTC's Commitments of Traders report for the week ending July 20. The number of speculative long positions fell by 1,672 contracts, while the number of speculative short positions increased by 6,466 contracts.

Outlook

- Natural gas prices are projected to hold steady while trading above key support levels such as the 20-day EMA of \$3.808 and the 50-day EMA of \$3.514; however, resistance is expected at \$4.277 and \$4.367.

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