
Silver is likely to get fresh direction from Fed meeting
Natural Gas prices are likely to trade positive

SILVER IS LIKELY TO GET FRESH DIRECTION FROM FED MEETING

- ▶ Silver is trading marginally lower from yesterday's high of \$26.51; however, it is still sharply up from the recent low of \$23.74 registered on March 31. Silver is likely to get fresh direction from two days Federal Reserve meeting ending later today. We expect no major policy changes, however; it will be important to watch Chairman Jerome Powell's outlook on the economy.
- ▶ The dollar index is trading near 91.037 which is sharply lower from the recent high of 93.470 registered on March 31st. Also, weakness has continued in United States 10-Year Bond Yield which is positive for precious metals prices. The United States 10-Year Bond Yield is now trading at 1.6410 and sharply lower from the recent high of 1.7760 registered on March 30th. However, prices recovered from the recent low of 1.5310 registered on April 23rd.
- ▶ Precious metals found support from Dovish comments from global central banks. BOJ Governor Kuroda said consumer spending would remain at a low level due to Covid, and it is "too early" to discuss the specifics of exiting from the BOJ's stimulus program.
- ▶ On the economic data front, Japanese retail sales rose at the fastest pace in five months in March. Retail sales jumped 5.2% in March from a year earlier and against the market forecast for a 4.7% rise. The Conference Board's April U.S. consumer confidence index rose +12.7 to a 14-month high of 121.7, against expectations of 113.0. Also, the U.S. Feb S&P CoreLogic composite-20 home price index rose +11.9% y/y, against expectations of +11.8% y/y. China Mar industrial profits soared +92.3% y/y, the largest increase since the data series began in 2011. Global economic data were supportive of industrial metals demand and positive for silver prices.
- ▶ According to the CFTC Commitments of Traders report for the week ended April 20, net long for silver futures gained by 5,257 contracts to 41,681 for the week. Speculative long position rose by 5,738 contracts, while shorts also gained by 481 contracts.

Outlook

- ▶ Silver which is supported by dollar weakness is likely to get fresh direction from the Fed meeting later today. It may trade firm while above the key support level of 200 days EMA at \$24.85 while it is likely to find stiff resistance around \$26.99 and \$27.70

NATURAL GAS PRICES ARE LIKELY TO TRADE POSITIVE

- ▶ Natural Gas contract is currently trading near \$2.936 is sharply up from the recent low of \$2.453 registered on April 6th, prices are likely to trade firm on colder than the expected temperature in the US which is likely to increase heating demand. Natural Gas prices also have carry-over support from robust export numbers from the last six months. The Global Forecast System sees colder-than-expected temperatures for the U.S from May 7-9 which is supportive of heating

demand and natural gas prices.

- Strong export demand is likely to provide support to NG prices. As per Bloomberg data, Gas flows to US LNG export terminals on Tuesday rose +74% y/y to 11.5 bcf. on Apr 18.
- Higher electricity output is supportive of NG prices. As per the Edison Electric Institute report, U.S. electricity output in the week ended April 17 rose +4.4% y/y to 66,881 GWh (gigawatt hours).
- Additionally, US Gas production on Tuesday fell -2.0% y/y to 88.954 bcf/d which is supportive of gas prices.
- However, weakness in domestic nat-gas demand is likely to cap the positive move in NG prices. As per Bloomberg data, NG domestic demand on Tuesday fell -3.2% y/y to 59.4 bcf.
- NG prices to get fresh direction from weekly inventory report which is scheduled to release later tomorrow. As per the last report from EIA, inventories for the week ended April 16 rose +38 bcf to 1,883 bcf, against expectations of a +47 bcf increase. However, Inventories are down -12.0% y/y and are +0.6% above their 5-year average.
- As per Baker Hughes report, the number of active US drilling gas rigs in the week ended April 23 were unchanged at a 1-year high of 94 rigs, well above the record low of 68 rigs posted in July 2020.

Outlook

- Natural Gas prices are likely to trade firm while above the key support level of 20 days EMA of \$2.704 and 100 days EMA of \$2.671 while it may face stiff resistance around \$2.991 and \$3.104

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