
Weather conditions are likely to keep gas prices lower
Silver is likely to trade firm

WEATHER CONDITIONS ARE LIKELY TO KEEP GAS PRICES LOWER

- Nymex Natural Gas expiry contract for the month of March dropped to a 3-month low, as the Commodity Weather Group on Monday forecast that the eastern and southern US states are poised for higher-than-normal temperatures through at least January 11. It is likely to reduce Natural Gas consumption for heating during winter. The National Weather Service have said that heating demand in the US for Natural Gas for the week ending January 2, is forecast to be -20% below the long-term average for this time of year.
- Reducing demand from electricity suppliers in the US is likely to keep Natural Gas prices lower. Edison Electric reported last Wednesday that U.S. electricity output for the week ending December 19 was down -1.2% y/y, at 80,039 GWh (gigawatt-hours), and that electricity output for the 52-week period ending December 19, was down -3.1% y/y, at 3.918 million GWh.
- However, increasing export demand is likely to provide support to Natural Gas prices. Natural Gas flows to US LNG export terminals on Sunday were up +6.8% w/w, at 11.4 bcf. As per Bloomberg data, on December 13, gas flows to LNG export terminals rose to a record high of 11.6 bcf (data from 2014).
- Also, a drop in Natural Gas production is supportive for the prices. According to Bloomberg data, US dry gas production on Monday was down -3.4% y/y, at 92.014 bcf/d.

Outlook

- Natural Gas January expiry contract is likely to find support around \$2.19-\$2.14 levels. Natural Gas may continue its negative trend, while remaining below the critical resistance level of the 20-day EMA at \$2.57.

SILVER IS LIKELY TO TRADE FIRM

- Gold and Silver prices rallied, after President Trump on Sunday night signed the debt-fueled Covid relief package into law. Silver prices found support from strength in the stock indices, which have rallied to new all-time highs.
- President Trump on Sunday night signed the \$900 billion pandemic relief bill and the \$1.4 trillion omnibus spending bill. The stimulus will boost economic growth, which will be positive for industrial metals demand.
- The worsening pandemic is curbing global economic growth, and this is likely to keep precious metal prices firm. The overall number of global coronavirus cases has topped 81.2 million, while the deaths have surged to more than 1.77 million, according to the Johns Hopkins University.
- Global economic data on Monday was mixed for metals prices U.S. December Dallas Fed manufacturing activity index fell -2.3, to a 4-month low of 9.7, weaker than expectations of -0.4, to 11.6. Also, Japanese November industrial production was unchanged m/m, weaker than expectations of +1.1% m/m. Meanwhile, Chinese November industrial profits rose +15.5% y/y, which

is the seventh consecutive month, in which the profits have risen.

Outlook

- ▲ Silver prices are likely to find support near the 100-days EMA at \$24.26, and the 200-days EMA at \$23.12. Meanwhile, a key resistance is seen near \$26.24 and \$27.40 levels.

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