
Copper is likely to trade negative while below \$8,120

Natural Gas prices are likely to trade firm

Weakness in the Dollar and Dovish comments are supporting precious metals

COPPER IS LIKELY TO TRADE NEGATIVE WHILE BELOW \$8,120

- Copper prices bounced on Thursday, due to weakness in the Dollar Index, however demand concerns due to the upcoming holidays in China, rapidly expanding global coronavirus cases, and a resurgence of cases in China, are likely to keep a lid on prices. We expect Copper prices to remain under pressure, while below the key resistance level of \$8,120 per mt.
- Market sentiments are affected due to logistical issues in COVID-19 vaccinations, which have deserted hopes for a speedy recovery in the global economy.
- On the economic data front, the US economy contracted at its sharpest pace since World War Two in 2020. As per official data released yesterday, US Gross Domestic Product (GDP) increased at a 4% pace in the fourth quarter, against market forecast of 4.3%. Also the Labour Department reported that first-time claims for jobless benefits totalled 847,000 last week, better than the market expectations of 875,000.
- Meanwhile, Copper stocks in LME warehouses are at their lowest since September, at 76,250 mt, as on 28th January, 2021. Copper inventory has dropped by 109,050 mt in the last one year. Meanwhile, SHFE Copper inventory has dropped by 52,000 mt in the last one year, and now stands at 20,635 mt, as on 28th January, 2021.
- Also, the LME copper net speculative long has declined to 35% of open interest from a January peak of 46%. Longs on Comex copper have also eased from recent highs.
- Chilean Copper Commission (Cochilco) said on Thursday that it had raised its projection for the price of copper for this year to \$3.30 per pound amid progress in vaccination campaigns against COVID-19, as well as good prospects for the Chinese economy.

Outlook

- Copper prices are likely to trade firm, while above the key support level of the 50-days EMA of \$7,725 per mt, and the 100-days EMA of \$7,337 per mt. Meanwhile, key resistance is seen near the \$8,120 level.

NATURAL GAS PRICES ARE LIKELY TO TRADE FIRM

- Strong exports and increasing consumption in the US are likely to provide support to Natural gas prices. Natural Gas March expiry contract prices are currently trading near \$2.70, and are moderately high from the last week's lows of \$2.41.
- Some positive factors for Natural Gas prices are listed here, such as Natural Gas flows to US LNG export terminals on Thursday rose +17% y/y, to 10.6 bcf, according to Bloomberg data. US domestic natural gas demand on Thursday rose +9.9% y/y, to 107 bcf. US Natural gas production on Wednesday was down -3.9% y/y, to 90.092 bcf/d.
- Meanwhile, US electricity output in the week ended January 23 fell -3.7% y/y, to 77,172 GWh (gigawatt hours), which is negative for Natural Gas prices.
- Also, a mixed weather outlook is also likely to weigh upon prices. Data agency, Maxar, on Thursday, has said that the Central US would see above-average temperatures between

February 3-4, but then cooler temperatures will follow in the week from February 6-10.

- The Weekly Inventory report from the EIA is negative for Natural Gas prices. EIA natural gas inventories fell -128 bcf, against expectations of -137 bcf drop. Natural Gas Inventories are up +4.9% y/y, and are +9.3% above the 5-year average.

Outlook

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

WEAKNESS IN THE DOLLAR AND DOVISH COMMENTS ARE SUPPORTING PRECIOUS METALS

- Silver prices rallied to a 2.5 weeks high, and are currently trading near \$26.46, following weakness in the US dollar and overnight support from Fed Chair, Jerome Powell, who sounded dovish during the Fed statement. He has said on Wednesday that the pace of the recovery has moderated, and that it is likely to take "some time" before substantial progress is seen toward the Fed's goals of maximum employment and price stability.
- Stronger inflation data is likely to support demand for precious metals, which are used as a hedge against inflation. The German January CPI (EU harmonized) rose +1.6% y/y, stronger than expectations of +0.5% y/y, and the biggest increase in 11 months. Also, the U.S. Q4 core PCE deflator rose +1.4% q/q, stronger than expectations of +1.2% q/q.
- Comments on Thursday from ECB Governing Council Member, Rehn, were bullish for bullion prices. He said the ECB is "closely monitoring developments in the exchange rate, especially regarding the inflation outlook", and is ready to use all the tools necessary to stimulate inflation.
- However, 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 100.7 million, while the deaths have surged to more than 2.18 million, according to the Johns Hopkins University.

Outlook

- Silver prices are likely to face stiff resistance near \$27.04-\$28.17 levels. Meanwhile, key support levels are seen around \$24.84-\$22.64 levels.

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Prepared by:

Mr. Kamlesh Jogi | Market Research Analyst

email: kamlesh.jogi@abans.co.in

Phone: +91 22 68354176 (Direct)

Abans Broking Services (P) Limited

36, 37, 38A, 3rd Floor, 227 Nariman Bhavan, Backbay Reclamation, Nariman Point, Mumbai-400 021

Phone +91 22 61790000 | Fax +91 22 61790000

Email: info@abans.co.in | Website: www.abans.co.in

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