
Natural Gas prices to trade lower on weak demand
Strength in the US dollar is going to keep pressure on Silver prices
Zinc: uptrend intact - Chinese PMI supports

NATURAL GAS PRICES TO TRADE LOWER ON WEAK DEMAND

- ▲ Natural Gas prices dropped this week, due to change in weather conditions in the US.
- ▲ The Commodity Weather Group has said that the weather forecast over the next few weeks looks relatively mild, lower-than-normal temperatures will extend in the US, from Texas to Pennsylvania during September 12-16.
- ▲ Meanwhile, according to Bloomberg, natural gas exports have increased to 3.1 bcf/day, up +39% from last week, after Hurricane Laura disruptions.
- ▲ US Natural Gas production continues to be weak, and US dry gas production in 48 states was down -10.3% y/y at 84.56 bcf/d. (Bloomberg report)
- ▲ Last Thursday's weekly EIA report showed that gas inventories rose +45 bcf a week before, to 3,420 bcf. The EIA report will be watched closely, as the market expects an increase of 34 bcf last week. The EIA will release a report later today.

Outlook

- ▲ Nymex Natural gas prices are likely to find stiff resistance near \$2.65 and \$2.73 levels, due to changing weather conditions, and increase in US inventory, while crucial support levels could be seen around the 20-days EMA at \$2.38, and the 50-days EMA at \$2.16.

STRENGTH IN THE US DOLLAR IS GOING TO KEEP PRESSURE ON SILVER PRICES

- ▲ Silver prices on Wednesday settled sharply lower, due to a stronger dollar. The Dollar Index has recovered near 93.0, from Monday's 27-week low at 91.75, and it was one of the key reasons behind the drop in bullion prices yesterday.
- ▲ On the economic data front, the US August ADP employment report of +428,000 was weaker than expectations of +1.000 million. European economic concerns are bullish for gold, and negative for industrial metals demand. German July retail sales unexpectedly fell -0.9% m/m, weaker than expectations of +0.5% m/m. Meanwhile, US July factory orders rose +6.4% m/m, stronger than expectations of +6.1% m/m. Deflation concerns in Europe are also dovish for ECB policy, and supportive of bullion prices.
- ▲ Comments on Wednesday from Cleveland Fed President, Mester, were supportive for bullion, when she said, "we're going to need support both on monetary policy and fiscal policy as it's going to take some time to get into a sustainable recovery."
- ▲ Bullion prices are affected, due to COVID Infections globally, which have risen above 25.943 million around the world, with deaths exceeding 862,000.

Outlook

- ▲ Strength in the US dollar is likely to keep pressure on bullion, and silver is likely to find key resistance levels around the 10-days EMA at 27.63; meanwhile, an immediate support level is seen near the 50-days EMA at 25.025.

ZINC: UPTREND INTACT - CHINESE PMI SUPPORTS

- ▲ Zinc continues to rise, hitting its highest level since May 2019. Chinese demand continues to rise, as indicated by a positive manufacturing PMI, which came at 51.0, earlier in the week. The uptrend being experienced in prices is strong, and is taking prices of base metals higher, supported by the Fed comments in the previous week.
- ▲ Chinese smelters, which began their regular maintenance shutdowns slightly early in June 2020, have finished the annual maintenance.
- ▲ SHFE inventory for Zinc has declined in China, and inventory (on warrant) since April 1st, has declined by 69%, from 87,713 mt to 23,192 mt. On the other hand, inventory on the LME has increased by 343%, from 48,775 mt, to 216,300 mt. It is the drawdown in the Chinese inventory, which is supporting the Zinc rally, along with the positive sentiment in the base metals space. Ample metal at the LME has ensured that cash zinc is trading at a discount of \$24.5 over the three-month contract; the discount is near the highest point since May 2017.
- ▲ Zinc parity (price comparison between LME & SHFE in terms of Yuan adjusted for Vat and currency), is currently trading at 644 Yuan, which is above the zero level, indicating Chinese demand.

Outlook

- ▲ Zinc is trading above the 20-days SMA, with RSI in positive territory, and the uptrend looks to be intact for Zinc. It looks set to rise further towards \$2,565 & \$2,585 levels, while support is seen at \$2,500-\$2,480 levels.

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