
Negative trend continues in Silver

Demand concerns likely to keep copper prices lower

Consumption demand is likely to keep Natural Gas prices firm

NEGATIVE TREND CONTINUES IN SILVER

- ▲ Prices of silver and industrial metals are likely to remain negative, due to the rising global Covid infections, which are causing concerns about weaker global economic growth. Metals are also trading negative, due to the strength in the Dollar Index against major currencies. The Dollar Index has rallied from last week's low of 92.46, to a high of 94.14 this week, which is 1.8% higher, and it is currently trading at four-weeks high.
- ▲ On the economic data front, U.S. Q3 GDP rose by a record +33.1% (q/q annualized), the fastest pace of growth since the data began in 1947, and stronger than the expectations of +32.0%. Also, weekly initial unemployment claims fell -40,000, to a 7-1/4 month low of 751,000, showing a stronger labour market, against the expectations of 770,000. A bullish factor for gold, and a negative for silver, was Thursday's data, which showed that U.S. September pending home sales unexpectedly fell -2.2% m/m, weaker than expectations of +2.9% m/m, and the first decline in 5 months.
- ▲ Comments on Thursday from the ECB President, Lagarde, were bearish for industrial metals demand. She said that the near-term outlook has deteriorated, and "the economy is losing momentum faster than expected."
- ▲ The BOJ's cut in its 2020 growth estimate for Japan is bearish for industrial metals demand. The BOJ cut its 2020 Japan GDP forecast to -5.5%, from -4.7%, and said "the outlook for economic activity and prices is extremely unclear" and could change depending on the virus spread.

Outlook

- ▲ Silver prices are likely to find support near the 200-days EMA at 22.05, while critical resistance is seen near \$24.81-25.98 levels.

DEMAND CONCERNS LIKELY TO KEEP COPPER PRICES LOWER

- ▲ Copper prices fell, as rising coronavirus cases around the world have raised concerns over the global economic recovery. The strength in the US Dollar is also keeping the prices of metals under pressure. Copper prices are currently trading near \$6,725 per mt, which is lower by more than 4% from the recent high of \$7,033 per mt.
- ▲ Copper inventory at LME monitored warehouses dropped by -2275 mt, as on October 29. LME inventory now stands at 172,628 mt, which has dropped by 78,125mt in the last one year, but has increased by nearly 36,300mt in the last one month, as on October 29.
- ▲ Copper prices are likely to find support from strong economic data from the US. The United States grew at a historic pace in the third quarter, as the government injected more than \$3 trillion worth of pandemic relief, which fueled consumer spending.
- ▲ Meanwhile, as per an ICSG report, global copper mine production fell 0.8% during the first seven months of 2020, the International Copper Study Group (ICSG) reported. The global copper market posted an apparent deficit of 255,000 mt during the period. Peru, the world's second-largest copper producer, saw significant pandemic-related impacts on its copper operations earlier in the year. Aside from copper mine production, output on the refined

copper side rose by 1% during the first seven months of the year.

Outlook

- ▲ LME 3 month contract is likely to find support around the 50-days EMA at \$6,661, and the 100-days EMA at \$6,439 per mt. Meanwhile, an immediate resistance level could be seen around \$6,883-\$7,031 per mt.

CONSUMPTION DEMAND IS LIKELY TO KEEP NATURAL GAS PRICES FIRM

- ▲ Natural Gas prices moved higher, on the back of a smaller-than-expected build in weekly inventory. As per an EIA report, inventories last week rose +29 bcf, against the forecast of +38 bcf. At present, natural gas inventories are at a 3-3/4 year high of 3,955 bcf. Inventories are up +7.0% y/y, and are +7.9% above the 5-year average.
- ▲ Total natural gas consumption in US was up +16% w/w, at 76 bcf. Strong export demand for U.S. natural gas supplies is also supportive for prices, as gas flows to the U.S LNG export terminals on Thursday, were 9.7 bcf, up +16% w/w, and the most since March.
- ▲ Meanwhile, the Commodity Weather Group has forecast milder-than-normal weather from November 3-7, which should reduce the heating demand for Natural Gas.
- ▲ Edison Electric reported on Wednesday that U.S. electricity output for the week ending October 24, was up +2.8% y/y, at 70,046 GWh. An increase in electricity demand is also likely to support higher natural gas consumption.
- ▲ Meanwhile, US NG production continues to be weak, according to Bloomberg data. Natural Gas production on, Thursday was down -9.9% y/y, at 85.528 bcf/d. A drop in production is supportive for Natural Gas prices.

Outlook

- ▲ Natural Gas prices for the December expiry contract are likely to find minor resistance around \$3.32-\$3.57 levels. Meanwhile, key support levels could be seen around the 20-days EMA at \$2.879, and the 50-days EMA at \$2.592.

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