
Warmer than normal weather in the US to keep Natural Gas prices firm
Silver rally continues
Nickel near a breakout zone

WARMER THAN NORMAL WEATHER IN THE US TO KEEP NATURAL GAS PRICES FIRM

- ▲ Natural Gas prices broke out on Monday. Warmer than normal weather, which is expected to cover most of the mid-west, and east coast, over the next 6-10, and 8-14 days, will increase the demand for air-cooling.
- ▲ Despite one tropical storm in the Atlantic emerging, according to weather forecasts, it may not generate a disturbance to natural gas installations.
- ▲ US power generation is reaching towards summer highs, on the back of air cooling demand. Total consumption of natural gas rose by 0.9%, compared with the previous week's report, according to data from the EIA. Natural Gas consumed for power generation climbed by 0.7% week-over-week, reaching 43.6 Bcf/d on Monday, the highest level so far in the summer of 2020. In the residential and commercial sectors, consumption increased by 0.6%. Natural Gas exports to Mexico decreased 0.9%, and the industrial sector consumption also increased by 1.3% week-over-week.

Outlook

- ▲ Natural Gas prices rallied 16.5% on Monday; an immediate support could be seen around the 5-days EMA at \$1.982, and the 10-Days EMA at \$1.898. The short-term trend is looking positive. Natural Gas prices could rally towards \$2.22 and \$2.30 levels.

SILVER RALLY CONTINUES

- ▲ Silver prices continued to trade higher this week, on the back of safe-haven demand, which is attracting investors towards precious metals.
- ▲ Precious metals, such as gold and silver, found support, as coronavirus cases continued to surge in the United States, and across the globe. World Health Organization warned that the road to normalcy would be long, with some countries requiring a reset of strategy. Global COVID-19 cases crossed the 18 million-mark, with over 687,000 deaths.
- ▲ Central banks around the world have rolled out stimulus measures, and cut interest rates to mitigate the economic damage caused by the pandemic. These measures have helped precious metals, and Silver prices have rallied more than 36% so far this year, from December 2019.
- ▲ On the economic data front, US Markit Manufacturing PMI edged higher to 50.9 (final) in July vs. an expected 52. The markets will be eying monthly non-farm payroll data this week, to get further cues regarding employment situation in the US, which is also being closely observed by the Federal Reserve, in order to take further decisions on the monetary policy scenario.

Outlook

- ▲ Silver prices could find an immediate support near the 10-Days EMA at \$23.72, while a key resistance level could be seen around \$25.732. We expect silver prices to remain firm for the short term in the backdrop of safe-haven demand, and revival in economic activities, as indicated in PMI data of various countries.

NICKEL NEAR A BREAKOUT ZONE

- Nickel has risen to highest level since January 2020, as the demand outlook for the metal has improved due to stimulus by EU and expected stimulus from the US.
- China's consumption of stainless steel for the month of July has improved significantly, as inventories declined, indicating healthy sales and consumption; this is a positive news, indicating that the Chinese activity is returning to normalcy at a fast pace, as consumption increases. According to the latest meeting of the Communist Party of China, the country will stay committed to deeper reforms, and would increase its efforts to bolster domestic demand, and strengthen the economy to counter the damage that Covid-19 has inflicted on the economy.
- On the inventory side, Inventory at SHFE increased by 17%, from 27,538 mt on 1st April 2020, to 32,211 mt on 3rd August 2020, while at LME, the inventory increased by 2.74%, from 174,108 mt, to 178,884 mt, during the same time period. Parity, which is the difference between the SHFE and the LME (in terms of Yuan), after calculating for VAT, and the currency, is currently trading at 804 Yuan.

Outlook

- Nickel is trading in a higher high, higher low formation, suggesting the trend to be positive in the near term. The RSI in the buy zone affirms our optimistic view on the metal. Going forward, we expect the metal to rise further towards \$14,250 & \$14,450 levels, while support is seen around \$13,650 & \$13,500 levels.

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