
Positive trend to continue in Nickel
Silver to find stiff resistance near \$27.90
Natural gas prices rallied on cooler weather forecasts

POSITIVE TREND TO CONTINUE IN NICKEL

- ▲ Nickel prices have jumped in the last two trading sessions, from the low of \$16,562 per mt, and are currently trading near \$17,670 per mt. An earthquake in Indonesia was projected to affect production sites, and this has supported the price rally. However, later it was confirmed that production areas were unaffected. Nickel also found support from weakness in the dollar. LME Inventory for Nickel has increased significantly in the last one year. Current inventory stands at 247,980 mt, and this is an increase by 91,602 mt in the last one year, and which is 36% of the current stock. However, inventory at SHFE has dropped in the last one year by 20,046 mt, and current inventory stands at 16,948mt.
- ▲ Base metals prices also found support from the Eurozone PMI data. Manufacturers in the Eurozone ended the year 2020 on a high, indicating that the economy was comparatively lesser hit by the pandemic. IHS Markit's final Manufacturing Purchasing Managers' Index (PMI) rose to 55.2 in December, from November's 53.8, however it was below the estimates of 55.50. China and United States also showed expansion in their factory activities in December.
- ▲ Weakness in the Dollar is also supporting base metal prices. The Dollar Index is trading negative, as China is about to set the official Yuan exchange rate at the strongest, since abandoning its peg in 2005.

Outlook

- ▲ Nickel prices are likely to find support near the 20-days EMA at \$16,957 per mt, while critical resistance is seen near \$17,735-\$18,129 per mt.

SILVER TO FIND STIFF RESISTANCE NEAR \$27.90

- ▲ Silver prices are trading near 3-1/2 month highs, as precious metals found support from rising inflation expectations, and U.S. political uncertainty, ahead of Tuesday's Georgia run-off elections. Weakness in the Dollar Index is also supporting the positive trend in metals. Silver is likely to find key resistance near the \$27.90 level.
- ▲ The 10-year break-even inflation expectations rate on Monday rose by +2.8 bp, to 2.015%, exceeding the Fed's +2.0% inflation target for the first time in more than two years. The break-even rate measures the difference between the nominal 10-year T-note yield and the 10-year inflation-adjusted TIPS yield.
- ▲ U.S. political uncertainty is likely to support safe-haven demand in precious metals. Two U.S. Senate seat run-off elections in Georgia will determine the political control of the Senate. If the Democrats win both the seats, they would take control of the Senate. Passage of new debt-funded stimulus programs would be bullish for precious metals prices.

Outlook

- ▲ Silver prices are likely to find stiff resistance near the \$27.90 level, while immediate support levels could be seen around the 20-days EMA at \$26.08, and the 50-days EMA at \$25.32.

NATURAL GAS PRICES RALLIED ON COOLER WEATHER FORECASTS

- ▲ Natural Gas prices bounced on Monday, following a change in the weather forecast. The Weather Company is now forecasting that temperatures across the southern and eastern U.S. during January 9-13 will be well below earlier forecasts. Cooler temperatures support heating demand in the US.
- ▲ However, data agency, Maxar, is predicting this winter to be the 13th warmest winter for energy demand, going way back to 1950, and the La Nina weather pattern would lead to warmer-than-normal winter temperatures.
- ▲ Natural Gas prices are likely to find support from robust export demand. As per Bloomberg data, Natural Gas flows to export terminals in US rose +29% y/y on Monday. On December 13, gas flows to LNG export terminals rose to a record high of 11.6 bcf (data from 2014).
- ▲ Natural Gas also found support from a drop in production. According to Bloomberg data, US production fell -4.6% y/y, to 90.8 bcf/d on Monday.
- ▲ Baker Hughes has on last Wednesday reported that the number of active US natural gas drilling rigs in the week ended January 1 was unchanged at the 8-1/4 month high of 83 rigs.

Outlook

- ▲ Natural Gas prices are likely to find support at \$2.33-\$2.02 levels, while key resistance is seen around \$2.75-\$2.95 levels.

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