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Bond yields rally is likely to keep Silver prices under pressure  
Smaller Inventory drop and weather condition to keep NG prices lower  
Nickel prices drop after Elon Musk comments

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## BOND YIELDS RALLY IS LIKELY TO KEEP SILVER PRICES UNDER PRESSURE

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- ▲ A fresh rally in global bond yields pushed precious metals prices lower. Silver prices are trading around \$25.33, sharply lower from the previous month high of \$30.31 as the global bond rally is forcing long liquidation in Gold and Silver ETF.
- ▲ Silver prices gave up an early advance and continued with selling off after Fed Chair Powell showed a lack of concern about higher yields during a speech.
- ▲ A jump in T-note yields above 1.500% on Thursday have pushed precious metals prices down after the 10-year T-note yield rose +6.4 bp to 1.545%, just below last Thursday's 1-year high of 1.609%.
- ▲ On the economic data front, US weekly initial unemployment claims rose +9,000 to 745,000, showing a slightly stronger labour market than expectations for a rise to 750,000. Also, U.S. Q4 nonfarm productivity was revised upward to -4.2%, stronger than expectations of -4.7%. Besides, Jan factory orders rose +2.6% m/m, stronger than expectations of +2.1% m/m and the biggest increase in 6 months.

### Outlook

- ▲ Silver prices are likely to face stiff resistance near 10 days EMA at \$26.45 and 20 days EMA at \$26.74 while immediate support levels are seen around \$24.33-\$23.60

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## Smaller Inventory drop and weather condition to keep NG prices lower

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- ▲ Natural Gas prices dropped to a 1 month low on a smaller than expected inventory drop along with mixed weather forecast pushed Natural Gas prices lower. Natural Gas prices are likely to remain weak as the weather forecast indicates lower heating demand in the US.
- ▲ Weather forecasting agency Maxar said that above-normal temperatures are expected in the eastern half of the US from March 9-13, below-normal temperatures are expected in the West, and near-normal temperatures are expected in the eastern half of the US from March 14-18.
- ▲ However, NG prices are likely to find support from domestic demand, export demand and lower production. As per Bloomberg data, Natural Gas demand in US on Thursday rose +4.7% y/y to 82.7 bcf. Also, Natural gas flows to export terminals were seen at 11.1 bcf, up +52% y/y. Additionally, US electricity output in the week ended Feb 27 fell -1.6% y/y to 73,408 GWh (gigawatt hours), and cumulative U.S. electricity output in the 52 weeks ending Feb 27 was down -1.6% y/y at 3,952,782 GWh which is supportive for NG prices.
- ▲ US NG production on Thursday fell 1.5% y/y to 91.292 bcf/d, although it has recovered

sharply from the 4-year low of 69.045 bcf/d from Feb 17.

- Meanwhile, EIA reported that weekly nat-gas inventories today fell -98 bcf, which was much smaller drop than expectations of -142 bcf. Natural gas Inventories are down -11.8% y/y and are -8.8% below the 5-year average, the largest shortfall in 1-1/2 years.

## Outlook

- Natural Gas prices are likely to trade weak while below the key resistance level at 20 days EMA at \$2.84 while key support levels are seen around \$2.61-\$2.53

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## NICKEL PRICES DROP AFTER ELON MUSK COMMENTS

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- LME 3 M Nickel prices slumped around 8% on Thursday after a major deal by Chinese firm Tsingshan eased worries of battery-grade nickel supply shortages, further Elon Musk's comments indicate less dependence on Nickel for EV. Nickel prices are currently trading near \$16,295 which is nearly 18% lower than the recent high of \$20,107 registered in February.
- Nickel prices rallied in the recent month due to increasing demand for Electronic vehicle; however, these sentiments were faded after a comment from Elon Musk about the use of Nickel. Elon Musk has said that "Nickel is our biggest concern for scaling lithium-ion cell production. That is why we are shifting standard range car to an iron cathode." Also, Tesla has decided to become a technical partner in a nickel mine - which is needed for lithium-ion batteries that power electric cars. Elon Musk's car firm will also buy nickel from the Goro mine on the tiny Pacific island of New Caledonia to secure its long-term supply.
- The move comes amid growing concerns about future supplies of nickel.
- Prices also came under pressure after Tsingshan Holding Group Co., the world's top stainless steel producer, plant to start supplying nickel matte to Chinese battery material producers and plans to expand its nickel investments in Indonesia. Matte is an intermediate product made from concentrate that can be further processed into battery-grade chemicals. An increase in supply is likely to keep nickel prices lower.
- As of 4th March 2021, the LME warehouse stock of Nickel stands at 260,994 mt which have increased nearly 11,964 mt in the last one month and the SHFE warehouse stock stand at 11,137 mt which have increased by 1,640 mt in the last one month.

## Outlook

- Strength in the dollar index, rising bond yields and change of demand fundamental for nickel are likely to keep the pressure on prices in the near term. LME 3 M prices are likely to face stiff resistance near \$16,985-\$17,150 per mt while immediately support levels are seen around \$15,468 and \$14,951 per mt.

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