
Bullish rally in Silver continues
Natural Gas futures trading near eight month highs
Uptrend in Zinc sustains

BULLISH RALLY IN SILVER CONTINUES

- ▲ Silver and Gold prices settled sharply higher on Wednesday, extending a record run for the precious metals. The silver rally is beating the gold prices movement. Gold has soared by more than 35%, and Silver prices rallied nearly 55% in 2020.
- ▲ Safe-haven demand for precious metals continued to grow during the Covid-19 pandemic tenure. Silver is gaining, and could be poised for even greater gains for industrial use.
- ▲ The Bank of England (BOE) is expected to announce an aggressive package of stimulus, which may include a £100bn extension of asset purchases to run through to the middle of the next year. It may also cut the rate on its Term Funding Scheme further.
- ▲ On the economic data front, the US private sector added 167,000 jobs in July, according to a report by payrolls processor, ADP. These numbers were sharply below the Bloomberg survey estimate of around 1.2 million jobs.

Outlook

- ▲ The bullish rally in silver may continue further towards \$28.20-\$29.15 levels in the near term, following expansionary monetary policy stance from global central banks seeing worsening, and stimulus hopes from US. Silver could find an immediate support base near the 5-Days EMA at \$26.28, and the 10-Days EMA at \$25.10.

NATURAL GAS FUTURES TRADING NEAR EIGHT MONTH HIGHS ON WEATHER CONDITIONS AND A RISE IN EXPORTS

- ▲ US Natural Gas prices are holding firm near the December highs, as exports have climbed, while the weather was expected to remain hotter-than-normal through late August. The global demand for NG is picking up.
- ▲ Hurricane Isaias, which hit North Carolina on Monday night, briefly broke the heat wave. NG demand, which is used for power generation for air cooling in the US, and neighboring countries, is increasing.
- ▲ According to a Refinitiv projection, US demand, including exports, will rise from an average of 88.6 bcf/d this week, to 91.0 bcf/d next week.
- ▲ According to an EIA report released on Wednesday, indications are that Renewables energy demand is picking up. A total of 103 coal-fired power plants were converted to natural gas, or replaced by natural gas-fired plants in the United States since 2011, the Energy Information Administration (EIA) said on Wednesday. Low natural gas prices, and abundant supply, stricter emission regulations, and more efficient technology of the natural gas turbines, are the key reasons for natural gas consumption.
- ▲ According to EIA data, U.S. coal production and consumption have been on a decline since peaking in 2008, and 2007, respectively. Last year, for example, U.S. coal production hit its lowest level since 1978, while coal consumption dropped to the lowest level since 1975. Slowly, it is being replaced with Natural Gas.
- ▲ The Weekly inventory report will be released later today, and this will provide further direction to Natural Gas prices.

Outlook

- Natural Gas prices are likely to remain firm on export demand, and weather conditions in the US. We may see the rally continuing towards \$2.30-\$2.34 levels in the near term; meanwhile, it may find a strong support base near the 10-Day EMA at 2.004 and 20-Day EMA at 1.894.

UPTREND IN ZINC SUSTAINS

- Zinc continues to trade higher, extending its gains post the price breakout; it has also achieved our mentioned target of \$2,400 in the previous report. The trend remains firmly positive for the metal as it continues to rise. Weakness in the Dollar Index, along with expectations of the US stimulus, is also helping the metals space remain buoyant.
- SHFE inventory for Zinc has declined in China; inventory (on warrant) since 1st April has declined by 59% from 87,713 mt, to 35,982 mt, helping prices stay buoyant. On the other hand, inventory on the LME has increased by 250% from 48,775 mt, to 170,700 mt. It is the drawdown in the Chinese inventory that is keeping the Zinc rally going along with the positive sentiment in the base metals space.
- Zinc parity (price comparison between the LME & the SHFE in terms of Yuan adjusted for Vat and currency) is currently trading at 459 Yuan, which is above the zero level, indicating Chinese demand.

Outlook

- Zinc is trading above the 20-day SMA with RSI in positive territory; the uptrend looks to be intact for Zinc. It looks set to rise further towards \$2,430 & \$2,470 levels, while support is seen at \$2,300-\$2,260 levels.

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