
Copper prices rallied to an eight-year high
Strength in the Dollar has pushed silver prices lower
Change in weather forecast is pushing Natural Gas prices higher

COPPER PRICES RALLIED TO An EIGHT-YEAR HIGH

- ▲ Copper prices rallied to a nearly eight-year high, following increasing optimism over the US stimulus. LME Copper 3M prices are currently trading near \$8,098 per mt, and have rallied nearly 85% from the March'20 low of \$4,371 per mt.
- ▲ Supply concerns at the Las Bambas mine in Peru, due to a three-week-long roadblock protest, also supported copper prices. However, the company has confirmed that there had been no impact on production.
- ▲ Meanwhile, Chile's copper miner, Codelco, has approved a \$1.383 billion budget for the overhaul of its ageing Salvador mine.
- ▲ On the economic data front, the U.S. December ADP employment change unexpectedly fell - 123,000, against expectations for an increase of +75,000. The U.S. December Markit services PMI was revised downwards to 54.8, from the previously reported 55.3, against expectations of 55.2.
- ▲ Also, the Chinese December Caixin Services PMI unexpectedly fell -1.5 to 56.3, weaker than expectations of +0.1 to 57.9. The Eurozone December Markit composite PMI was revised downwards to 49.1, from the previously reported 49.8. All the global economic data was negative for base metals demand.
- ▲ Copper stocks in LME registered warehouses stood at 105,425 mt, as on 6th January, 2020. In the last three months, LME inventory has dropped nearly 50,700 mt, which is 48.09% of the current stock. Copper stocks in SHFE registered warehouses stood at 30,677 mt, as on 6th January, 2020. In the last three months, SHFE inventory has dropped nearly 25,481 mt, which is 83% of the current stock.

Outlook

- ▲ Copper prices are likely to trade firm, while remaining above the key support level of the 20-days EMA of \$7,821 per mt, and the 50-days EMA of \$7,520 per mt. Meanwhile, key resistance is seen near \$8,145-\$8,243 per mt.

STRENGTH IN THE DOLLAR HAS PUSHED SILVER PRICES LOWER

- ▲ Silver prices gave up their gains, and have moved sharply lower, due to strength in the Dollar Index. Silver prices are currently trading near \$27.33 per ounce, sharply lower from yesterday's high of \$28.11. The Dollar Index is trading marginally up from yesterday's low of 89.17.
- ▲ Global economic data on Wednesday was mostly negative for silver prices, as a drop in manufacturing activity in the US and the Eurozone is likely to impact silver demand negatively. The U.S. December Markit Services PMI was revised downwards to 54.8, The Eurozone December Markit composite PMI was revised downwards to 49.1.

- ▲ Silver prices are also trading negative due to the worsening Covid pandemic, as it is leading to new restrictions in the world's leading economies. The coronavirus has infected more than 87 million people and killed over 1.88 million, according to the Johns Hopkins University.

Outlook

- ▲ Silver prices are likely to find stiff resistance near \$27.90-\$28.68, while immediate support levels could be seen around the 20-days EMA at \$26.28, and the 50 days EMA at \$25.45.

CHANGE IN WEATHER FORECAST IS PUSHING NATURAL GAS PRICES HIGHER

- ▲ Natural Gas February expiry contract is trading near \$2.68, which is 20% higher from the December month low of \$2.23, on the back of increasing domestic demand, due to change in the weather forecast in the US and robust exports .
- ▲ Forecasting agency, Maxar, has said that it expects below-normal temperatures from Texas to the Southeast from January 10-14, and cooler-than-normal temperatures for the Central U.S. from January 15-19. A cold winter is likely to increase heating demand for natural gas.
- ▲ Encouraging export numbers are also likely to keep Natural Gas prices firm. As per Bloomberg data, gas flows to U.S LNG export terminals on Wednesday rose +39% y/y, to 11.2 bcf.
- ▲ Increased electricity output is also positive for Natural Gas demand. Data from the Edison Electric Institute showed total U.S. electricity output in the week ended January 2 has increased +4.1% y/y, to 74,553 GWh (gigawatt hours).
- ▲ A drop in US Natural Gas production is supportive for prices. As per the Bloomberg data, US Natural Gas production on Wednesday was down -4.1% y/y, to 91.521 bcf/d.
- ▲ Natural Gas prices are likely to get further direction from the weekly inventory report from EIA later today. Last Thursday's weekly natural gas inventories for the week of December 25th fell -114 bcf, to 3.460 bcf. Natural Gas Inventories are up +8.4% y/y, and are +6.3% above the 5-year average.

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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