
Optimism over US stimulus is likely to keep silver prices firm

Natural Gas is likely to face stiff resistance at \$3.11 level

Stimulus hopes are supporting Copper prices

OPTIMISM OVER US STIMULUS IS LIKELY TO KEEP SILVER PRICES FIRM

- Silver prices bounced from the previous week's low of \$25.93, and are currently sustaining near the \$27.58 level, in the backdrop of increasing optimism over US stimulus, and weakness in the Dollar Index. The current rise in silver prices is also pushing the gold to silver ratio higher, which also bounced from 62.32 levels, and is sustaining near 67.05.
- Treasury Secretary, Yellen, has signalled support for President Biden's \$1.9 trillion pandemic stimulus plan, and she is talking about full employment by 2022. It is likely to increase inflation in the US, and is supportive for precious metals, which are used as a hedge against inflation.
- However rising bond yields are likely to keep a cap on precious metals. The US 30-year Treasury yield briefly traded above 2 per cent for the first time since last February on Monday and the U.S. 10-year breakeven rate - the yield difference between the benchmark Treasury note and its inflation-protected counterpart - touched 2.216% Monday. Other global bond yields are moving in tandem with the US rate movement.
- According to the CFTC Commitments of Traders report for the week ended February 2, net long for silver futures dropped -3,051 contracts, to 51,409 for the week. Speculative long positions dropped -3,810 contracts, while shorts dropped -759 contracts.
- Precious metals have support from the Covid pandemic, which is dovish for central bank policies. Globally, Covid infections have risen above 107 million, and deaths have exceeded 2.33 million.

Outlook

- Silver prices are likely to trade firm, while remaining above key support levels of the 100-days EMA at \$25.45, and the 200-days EMA at \$24.05. It may find stiff resistance near \$29.60-\$30.49 levels.

NATURAL GAS IS LIKELY TO FACE STIFF RESISTANCE AT \$3.11

- Natural Gas prices are currently trading near \$2.86, after registering recent highs last week at \$3.06. A change in the weather forecast is likely to keep Natural Gas prices under pressure, as above-normal temperatures will return in the US from 21st February. Meanwhile, frigid temperatures and export demand from the last two weeks is supporting prices.
- According to the CFTC Commitments of Traders report for the week ended February 2, net long for Natural Gas futures increased 18,009 contracts, to 29,581 for the week. Speculative long positions dropped -7,258 contracts, while shorts dropped -25,267 contracts.
- Prices rallied in the last three weeks, on the back of increasing domestic and export demand, and lower production. As per Bloomberg, gas flows to U.S LNG export terminals on Monday rose +25% y/y, to 11.1 bcf.
- US domestic demand on Monday rose +5.8% y/y, to 106 bcf. Also, Edison Electric Institute reported that total U.S. electricity output in the week ended January 30 rose +4.1% y/y, to 78,912 GWh (gigawatt hours).

- Additionally, US gas production on Monday was down -3.1% y/y, at 91.289 bcf/d, as per Bloomberg data.
- Meanwhile, US Natural Gas inventories in the week of January 29 fell -192 bcf, to an 8-1/4 month low of 2,689 bcf, a smaller decline than expectations of -194 bcf. The US EIA reports suggest that Natural Gas Inventories are up +3.1% y/y, and are +7.9% above the 5-year average.
- Baker Hughes reported last Friday that the number of active US Natural Gas drilling rigs in the week ended February 5 rose +4 rigs, to a 9-3/4 month high of 92 rigs.

Outlook

- Natural gas prices are likely to find stiff resistance near \$3.11, while key support levels are seen around the 100-days EMA at \$2.61, and the 200-days EMA at \$2.48.

STIMULUS HOPES ARE SUPPORTING COPPER PRICES

- Dollar weakness and stimulus hopes have pushed Copper prices higher. LME Copper 3M contract is trading above \$8,100 per mt, however, absence of Chinese market for the lunar year holiday from 11th February-17th February is likely to keep physical market players away.
- Hopes increased for Stimulus in the US, after Treasury Secretary, Janet Yellen, said that the U.S. could return to full employment in 2022, if President Joe Biden's \$1.9 trillion coronavirus rescue package is passed.
- On the economic data front, Japan's January economy watchers outlook survey unexpectedly rose +3.8, to 39.9, stronger than expectations of a decline to 35.0. Conversely, the Eurozone February Sentix investor confidence index unexpectedly fell -1.5, to -0.2, weaker than expectations of +0.7, to 2.0. Also, German December industrial production was unchanged m/m, weaker than expectations of +0.3% m/m.
- Comments on Monday from ECB President, Lagarde, have boosted confidence in the economic outlook and metals demand, when she said that the Eurozone recovery "has been delayed, but not derailed"
- LME Copper inventory have dropped by 96,950 mt in the last one year, and now stands at 74,575 mt, as on 8th February, 2021. Meanwhile, SHFE Copper inventory has dropped by 59,281 mt in the last one year, and now stands at 33,616 mt, as on 8th February, 2021.

Outlook

- Copper prices are trading firm, on the back of US stimulus hopes. However, copper is facing stiff resistance around \$8,120-\$8,223, in the backdrop of low physical demand in China. It may find immediate support around the 50- days EMA at \$7,765 per mt & the 100-days EMA at \$7,414 per mt.

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