# DAILY ANALYSIS REPORT

Tuesday, March 9, 2021



Bond yield rally to keep silver prices under pressure

Mild US weather outlook to keep Natural Gas prices lower

Crude oil to find strong support at \$63.87



## BOND YIELD RALLY TO KEEP SILVER PRICES UNDER PRESSURE

- Silver prices are currently trading near \$25.50, marginally higher from previous closing. However, prices are likely to remain under pressure due to strength in dollar index and rise in global bond yields.
- Dollar index rallied to 3.5 months high on Monday which pushed precious metals prices lower. A Rally in global bond yield is also keeping pressure on non-yielding precious metals such as silver and gold. The US 10-year T-note yield on Monday rose to 1.612%, just below last Friday's 1-year high of 1.624%.
- However strong in industrial demand is likely to support silver prices and we may see some recovery later. Silver is likely to remain stronger than gold. Better-than-expected Chinese trade data is positive for economic growth and is supportive of Silver prices. China Feb exports year-to-date rose +60.6% y/y, stronger than expectations of +40.0% y/y. Also, China Feb imports rose +22.2% year-to-date y/y, stronger than expectations of +16.0% y/y.
- Precious metals also have carry over support from pandemic stimulus package which was passed on Saturday.

## Outlook

A Silver prices are likely to trade negative while below key resistance level at 20 days EMA at \$26.40 while immediate support levels are seen around 200 days EMA at \$24.61

# Mild U.S. weather outlook to keep Natural Gas prices lower

- A Natural Gas prices for the month of April are trading near \$2.653, marginally lower from previous closing on mixed weather outlook for US which is likely to reduce heating demand and negative for natural gas prices.
- According to weather forecasting agency Maxar, it is likely to be warmer temperatures in the central and eastern US through March 12. Also WSI Energycast have forecasted above-normal temperatures across the southern, central, and eastern US from March 10-14 which is going to recude heating demand significantly.
- US domestic natural gas demand on Monday fell -1.0% y/y to 75 bcf. Also, U.S. electricity output in the week ended Feb 27 fell -1.6% y/y to 73,408 GWh (gigawatt hours) which is negative for Natural Gas consumption.
- However NG prices are getting support from export demand and low production levels. Gas flows to US LNG export terminals on Monday, were seen at 10.6 bcf, up +40% y/y. Also, US gas production on Monday fell -1.4% y/y to 92.059 bcf/d which is bullish for NG prices.
- Natural Gas prices to get further direction from Natural Gas inventory data which will be



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released later on Thursday. Last Thursday's weekly EIA report showed that nat-gas inventories the week of Feb 26 fell -98 bcf to a 1-3/4 year low of 1,845 bcf. Current Inventories are down -11.8% y/y and are -8.8% below the 5-year average.

■ Meanwhile, Baker Hughes reported last Friday that the number of active U.S. nat-gas drilling rigs in the week ended Mar 5 was unchanged at 92 rigs.

## Outlook

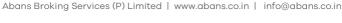
A Natural Gas prices are likely to trade negative while below key resistance levels of 20 days EMA at \$2.792 while immeidaye support levels are seen around \$2.550 and \$2.419

# Crude oil to find strong support at \$63.87

- Crude oil process corrected from recent high of \$67.98 yesterday and currently holding the grounds near \$65.39 on profit booking after a big rally from recent lows of \$59.24 as on 3rd march 2021.
- Increased Chinese demand for crude is supportive for prices after Chinese trade data showed China Jan-Feb crude exports climbed to 11.13 million bpd, up +22% from December and the most since September.
- Crude oil prices have ongoing support from recent OPEC+ meeting on 4th March 2021. OPEC members have decided that they would be sticking with the output cuts that have buoyed the market so far this year. Also Saudi Arabia's pledge to extend a unilateral 1 million barrel-a-day cut through at least April.
- On Supply side, Crude oil production for OPEC members in February fell 920,000 bpd to a 4-month low of 24.870 million bpd. However, Iraq Feb crude exports excluding Kurdistan rose +3.1% m/m to 2.96 million bpd. Meanwhile, Libya will export 1.21 million bpd of crude and condensate this month, the most since October when Libya resumed oil production, according to reporting by Bloomberg.
- On economic data front, US Feb nonfarm payrolls rose +379,000, against expectations of +200,000, Also, the US Feb unemployment rate unexpectedly fell -0.1 to an 11-month low of 6.2%. Economic data indicates stronger labor market which is likely to be supportive of energy demand. German Jan factory orders rose +1.4% m/m, stronger than expectations of +0.5% m/m.
- Baker Hughes reported on Friday that active U.S. oil rigs rose by +1 rig in the week ended Mar 5 to a 10-month high of 310 rigs, well above August's 15-year low of 172 rigs.

## Outlook

■ WTI Crude oil prices are likely to trade firm, it may find strong support base around \$63.87 and \$60.35 per barrel while key resistance levels are seen around \$67.20-\$68.90 per barrel level.





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