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Natural Gas to trade negative on sluggish export demand  
Gold has recovered from losses due to a sell-off in equities  
Aluminium – relatively stronger than other base metals

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## NATURAL GAS TO TRADE NEGATIVE ON SLUGGISH EXPORT DEMAND

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- ▲ Natural gas prices are trading negative, as a result of muted export demand. Prices are also trading lower, due to a change in the temperatures, which are forecast to be below average this week.
- ▲ LNG export terminals were at 5.3 bcf/day, down by 9.8% y/y, on Tuesday. Natural Gas operations are slowly returning to normal, after Hurricane Laura disrupted the loading of LNG exports. As per the Bloomberg data, US Natural Gas production continues to be weak. US dry gas production on Friday was down by 7.8% y/y, at 85.843 bcf/d.
- ▲ Baker Hughes, on Friday, reported that the number of active US Natural Gas drilling rigs in the week ended September 4, was unchanged at 72 rigs, modestly above the record low of 68 rigs, which was posted in the week ended July 24.
- ▲ Last Friday, the EIA reported a weekly build-up of 35 Bcf for the week ended August 28, natural gas inventory level stood at 3,455 Bcf, compared to the 5-year average level of 3,048 Bcf, and the 2,917 Bcf registered at the same time last year.
- ▲ According to a Reuters report, preliminary storage forecast is for an increase of 71 Bcf, compared to the 5-year average of +68 Bcf, as well as last year's interpolated same-week comparison of +80 Bcf. Based on the most recent weather updates, storage forecasts for the week ending September 11, till the week ending October 16, are +88, +84, +96, +94, +95 and +75 Bcf, respectively.
- ▲ According to the CFTC Commitments of Traders report for the week ended September 1, Natural Gas futures' net long increased by 18,048 contracts to 31,686. Speculative long positions increased by 529 contracts, to 324,474, and short positions declined by 17,519 contracts to 292,788 contracts.

### Outlook

- ▲ Nymex Natural Gas October expiry contract is likely to find stiff resistance near \$2.58 and \$2.67 levels, due to the changing weather conditions, and an increase in US inventory, while crucial support levels could be seen around the 50-days EMA at \$2.22, and the 100-days EMA at \$2.063.

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## GOLD HAS RECOVERED FROM LOSSES DUE TO A SELL-OFF IN EQUITIES

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- ▲ A substantial increase in US-China trade tensions is going to keep supporting gold prices in the near term. President Trump has said that he intends to curb the US economic relationship with China. Besides, the US, on Tuesday, announced that it has banned imports from three companies in China's Xinjiang region, over China's alleged repression of the Uighur Muslim minority group. The US Customs and Border Protection Agency has said that it would also ban imports from six other Chinese companies, which operate in the cotton, textile, and apparel industries by the end of the year, for using "convict labour and forced labour to produce the garments it manufactures."

- ▲ Gold prices have also been supported, due to the economic risk of a "no-deal Brexit". UK Prime Minister Johnson has threatened to walk away from Brexit talks, without a new trade deal.
- ▲ On the economic data front, German July exports rose +4.7% m/m, weaker than expectations of +5.0% m/m. Also, Japan's Q2 GDP was revised downward to -28.1% (q/q annualized) from the previously reported -27.8%, the steepest pace of contraction since the data began in 1994. Besides, Japan's July household spending fell -7.6% y/y, weaker than expectations of -3.7% y/y. Meanwhile, Eurozone Q2 GDP was revised upward to -11.8% q/q, from the previously reported -12.1% q/q.

## Outlook

- ▲ We expect gold prices to trade in a tight range of 1,921-1,950 for the short-term. Gold may find support near the 50-days EMA at 1,921, while crucial resistance could be seen around the 20-days EMA at 1,951. Gold prices are likely to find support over US-China trade tensions, and a "no deal Brexit". It would also find further direction from an ECB meeting, which is scheduled for Thursday.

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## ALUMINIUM – RELATIVELY STRONGER THAN OTHER BASE METALS

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- ▲ China's exports rose for the third consecutive month in August, 2020, as many countries relaxed coronavirus lockdowns. This has boosted the recovery in the world's second-biggest economy.
- ▲ According to customs data, exports in August rose 9.5%, on a year-on-year basis, which is the strongest gain since March 2019. The data also beat analysts' anticipation of a 7.1% growth, and compared with a 7.2% increase in July.
- ▲ China exported 395,400 mt of unwrought aluminium and aluminium semis in August 2020, up 5.9% on a month-on-month basis, although it was down 15.2%, on a year-on-year basis.
- ▲ Inventory (on warrant) at SHFE has shrunk by 58%, from 305,203, to 128,767 mt, while LME inventory has increased by almost 29%, from 1,014,425, to 1,308,000 mt, since 1st April 2020. This has given rise to the prices in China being at a premium to that in London. Parity, which is the difference between the SHFE and the LME, after calculating for the VAT and the currency, is currently trading at 564 Yuan, indicating a strong trend for Chinese aluminum, driven by fundamental demand for the metal.

## Outlook

- ▲ Aluminium is trading above the 20-days SMA in a higher high, higher low formation, indicating the trend to be positive. It could trade with a positive bias, and rise further towards \$1,810 & \$1,830 levels, while support is seen at \$1,770 & \$1,745 levels.

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