
Precious metals to get fresh direction from Fed meeting
The bullish trend to continue in Natural Gas

PRECIOUS METALS TO GET FRESH DIRECTION FROM FED MEETING

- ▲ Silver is currently trading near \$27.81, following losses from the last two trading sessions. Precious metals are trading weak due to the current strength in the dollar index and bond yields. However, the market is likely to get fresh direction from two days US Federal Reserve meeting starting from today.
- ▲ The U.S. central bank is not likely to take any action on interest rates or tapering of monthly asset purchases. But it will be interesting to watch the Fed's forecasts on inflation and the strength of the economic recovery.
- ▲ Silver prices are under pressure due to slightly negative than expected economic data globally. Eurozone Apr industrial production rose +0.8% m/m and +39.3% y/y, against expectations of +0.4% m/m and +37.4% y/y. Also, Japan Apr industrial production was revised upward to +2.9% m/m and +15.8% y/y from the previously reported +2.5% m/m and +15.4% y/y. The +15.8% y/y gain was the largest in 9 years.
- ▲ Silver and gold prices found some support from dovish comments from ECB. On Monday the ECB signalled that it is not close to tapering its asset purchases. ECB President Lagarde said, "we need to really anchor the recovery," and it is "far too early" to debate on when to end pandemic stimulus. Also, ECB Governing Council member Holzmann said, "It's too early to talk about tapering" the ECB's PEPP program, and it is justified to wait as "the pandemic is still there."
- ▲ According to the CFTC Commitments of Traders report for the week ended June 8, net long for silver futures jumped by 2289 contracts to 49806 for the week. Speculative long position dropped by 1022 contracts, while shorts dropped by 3311 contracts.

Outlook

- ▲ Silver prices are likely to face stiff resistance near \$28.51-28.87 while immediate support level is seen around 50 days EMA of \$27.87 and 100 days EMA of \$26.84

THE BULLISH TREND TO CONTINUE IN NATURAL GAS

- ▲ Natural Gas July month expiry contract is likely to trade firm following the bullish trend from past several weeks. An increasing air cooling demand in the US due to warmer weather forecast is likely to increase domestic gas consumption by electricity providers. Weather forecasting agency Maxar on Monday said that record high temperatures are expected in the US West from June 19-23, and hot temperatures are expected for the Northwest and Northeast from June 24-28. Natural Gas prices have rallied nearly 6.6% in the last two trading session and currently, prices are holding at a new 7-1/4 month nearest-futures high.
- ▲ As per Bloomberg data, US domestic natural gas demand Monday was 62.5 bcf, up +9.4% y/y. Also, increasing export demand is providing additional support to the prices. As per Bloomberg data Gas flows to U.S LNG export terminals on Monday were 10.2 bcf, up +20% w/w.

- Meanwhile, US electricity output in the week ended June 5 fell -4.0% y/y to 74,653 GWh however it is likely to increase in the coming week due to warmer weather forecast,
- Bloomberg data showed US gas production on Monday was up +2.6% y/y at 90.707 bcf/d.
- On the inventory front, EIA inventory reported last week that US nat-gas inventories in the week ended Jun 4 rose +98 bcf to 2,411 bcf, right on expectations but above the 5-year average for this time of year at +92 bcf. However gas inventories still down -14.1% y/y and -2.2% below their 5-year average.
- According to the CFTC Commitments of Traders report for the week ended June 8, net short for natural gas futures increased by 15077 contracts to 102508 for the week. Speculative long position increased by 23130 contracts, while shorts added by 38207 contracts.
- Baker Hughes reported last Friday that the number of active US natural gas drilling rigs in the week ended June 11 fell by -1 rig to 96 rigs, which is still well above the record low of 68 rigs posted in July 2020.

Outlook

- Natural Gas July month expiry contract is likely to trade firm while above the key support level of 20 days EMA of 3.116 and 50 days EMA of 2.984 while it may find stiff resistance around 3.478

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