
Retail buying is keeping Silver prices firm
Natural Gas prices are likely to trade firm while above \$2.68
Nickel prices are likely find support around \$17,248

RETAIL BUYING IS KEEPING SILVER PRICES FIRM

- Silver prices are marginally down from Monday's high. Silver prices had rallied sharply in the last four trading sessions after social media sites like Reddit inspired retail buying. Reddit and other social media sites like Wallstreetbets have urged traders to buy Silver ETF's. Investors are also buying silver coins aggressively from online stores. Gold prices are also trading higher, following the positive move in Silver.
- Fed comments on Monday were bullish for precious metals when Minneapolis Fed President, Kashkari, said that there is a long way to go before we get the economy fully opened, and that the key for the Fed is to keep its foot on monetary policy gas. Dallas Fed President, Kaplan said, "we're still in the teeth" of the pandemic, and he's not yet ready to talk about the timing of reducing the Fed's bond buying. ECB Executive Board member, Schnable, has said that the ECB "continues to be worried about inflation being too low rather than too high," and that "raising interest rates in the current situation would have disastrous effects."
- On the economic data front, the U.S. January ISM Manufacturing Index fell -1.8 points to 58.7, against market expectations of 60.0. China's January manufacturing PMI fell -0.6, to a 5-month low of 51.3, against market expectations of -0.3, to 51.6. In addition, German December retail sales fell -9.6% m/m, against expectations of -2.0% m/m. U.S. December construction spending rose +1.0%, against expectations of +0.9% m/m. The Eurozone January Markit Manufacturing PMI was revised upwards by +0.1, to 54.8 from the previously reported 54.7.
- According to the CFTC Commitments of Traders report for the week ended January 26, net long for silver futures gained +2,458 contracts to 54,460 for the week. Speculative long positions rose +435 contracts, while shorts dropped -2,023 contracts.

Outlook

- Silver prices are likely to trade firm, while above key support levels of the 20-days EMA of \$26.54. Meanwhile, it may face resistance near \$30.46-\$31.50.

NATURAL GAS PRICES ARE LIKELY TO TRADE FIRM WHILE ABOVE \$2.68

- Natural Gas prices are likely to trade firm, following an uptick in heating demand, due to cooler weather conditions in the US. The Commodity Weather Group on Monday said that an Arctic cold front will drop into the US later this week, and that the entire country will see cooler-than-normal conditions over the next two weeks. Also, NOAA's National Weather Service has said on Monday that below-normal temperatures will cover the entire U.S. from February 6-10.
- Natural Gas prices found support from increasing exports and lower production. Gas flows to US LNG export terminals on Monday rose +15% y/y, to 10.8 bcf, as per Bloomberg data. As per Bloomberg data, U.S. Natural gas production on Monday was down -4.3% y/y, to 89.608 bcf/d.
- However, domestic demand is likely to keep a cap on the rally. US Natural Gas demand on Monday fell -3.9% y/y, to 94 bcf. US electricity output in the week ended January 23 fell -3.7% y/y, to 77,172 GWh (gigawatt hours),

- Meanwhile, the Natural Gas inventory report by the EIA showed a drop of -128 bcf for the week ended January 22, and fell -128 bcf, to a 7-1/2 month low of 2,881 bcf, against market expectations of -137 bcf. However Natural Gas Inventories are up +4.9% y/y, and are +9.3% above the 5-year average.
- The number of active U.S. natural Gas drilling rigs in the week ended January 29 was unchanged at a 9-1/4 month high of 88 rigs, as per Baker Hughes.
- According to the CFTC Commitments of Traders report for the week ended January 26, net long for natural gas futures dropped -2,473 contracts to 11,572 for the week. Speculative long positions rose +3,606 contracts, while shorts increased +6,079 contracts.

Outlook

- Natural Gas March expiry contract are likely to trade firm, while above the key support levels of the 20-days EMA at \$2.68, while immediate resistance is seen around \$3.10- \$3.31 levels.

NICKEL PRICES ARE LIKELY TO FIND SUPPORT AROUND \$17,248

- Nickel prices are trading near \$17,765, and may find strong support around \$17,248, on the back of rising stainless steel futures in China, due to overhauls at steel mills.
- LME metals are likely to find support, on the back of hopes that the United States would soon pass a long-awaited stimulus package. After meeting with Republican senators at the White House on Monday, President Joe Biden appeared poised to push forward with his \$1.9 trillion COVID-19 relief plan, even if it fails to draw Republican support.
- Meanwhile, Indonesia is aiming for its state miner, PT Aneka Tambang, to produce 50,000 to 100,000 tonnes of nickel sulfate per year, when its high-pressure acid leach plant comes online in 2024, an official told parliament on Monday.
- On the economic data front, Japan's final manufacturing PMI is at 49.8 in January, compared with 50 in December, and China's Caixin manufacturing PMI fell to 51.5 in January, from 53 in December. German retail sales fell by 9.6% month-on-month in December, after a 1.1% rise a month earlier. A drop in economic activity is likely to keep the prices of metals under check.
- Nickel inventory at LME warehouses has increased nearly by 52,914 mt in the last one year, and now stands at 245,856 mt, as on 1st February, 2021. However, inventory at SHFE warehouses has dropped nearly 26,954 mt in the last one year, and now stands at 9,751 mt, as on 1st February, 2021, which is indicative of strong physical demand in the leading consumer, China.

Outlook

- Nickel prices are likely to trade firm, while above the key support level of the 50-days EMA of \$17,248 per mt. Important resistance levels are seen around \$18,120-18,300 per mt.

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