
China manufacturing PMI shrinks in the month of Feb
U.S. crude oil output falls for the first time in Dec since May -EIA
Strength in dollar index continues to push gold prices down
Rupee remains range bound after India-Pakistan tensions seem to be defusing

CHINA MANUFACTURING PMI SHRINKS IN THE MONTH OF FEB

- ▲ Factory Copper edged lower on Friday (Manufacturing PMI for January is 49.9, which is higher than the expectations of 48.5), after a private survey showed that the factory activity in top metal consumers of China remained in contraction territory for a third straight month, even though the reading improved as compared to the previous month. However a reading below 50 indicates that the manufacturing activity contracted nevertheless
- ▲ Japan's factory output posted the biggest decline in a year during January as China's slowdown affects the entire region.
- ▲ LME copper prices touched their highest level since July after U.S. President Donald Trump said he would delay an increase in tariffs on Chinese goods scheduled for March 1. Trump would also plan a summit with Chinese President Xi Jinping at his estate in Florida to conclude an agreement, assuming both sides make further progress.
- ▲ Copper opened slightly lower on Friday, after a private survey showed that the factory activity in top metal consumers in China remained in contraction territory for a third straight month. The red metal could end flat this week, as weak data from China and fading hopes of a U.S.-China trade deal offset tight inventories.

Outlook

- ▲ Decreasing mine production and drying up inventories are keeping copper prices higher. Optimism over US-China trade talks could support copper prices further. Copper may find minor support around 6285, short-term trend remains positive above this level. Meanwhile, immediate resistance is seen near 6544-6702.

U.S. CRUDE OIL OUTPUT FALLS FOR THE FIRST TIME IN DEC SINCE MAY -EIA

- ▲ December oil production was 11.85 million bpd, Oil output in Dec fell by 56,000 bpd from November's record high
- ▲ Global economic slowdown weighs on 2019 oil demand outlook, slowing Chinese manufacturing activity continues to be a risk for oil prices
- ▲ Venezuelan oil exports have plunged by 40% to around 920,000 barrels per day (bpd) since the U.S. government sanctioned against its petroleum industry on Jan. 28. Drop comes as the Organization of the Petroleum Exporting Countries (OPEC), has led efforts since the start of the year to withhold around 1.2 million bpd of supply to prop up prices.
- ▲ Oil supply has declined due to reduced US crude oil production and sanctions on Venezuela and Iran, also OPEC+ supply cut continues to support oil prices.

Outlook

- ▲ Increasing US oil production levels is negative for oil prices but the counter continues to receive support from OPEC+ production cuts. We expect Brent oil to remain positive due to OPEC production cut; Venezuela and Libya issues could keep oil on the boil; US trade talks with China would also be watched closely for further clarity on demand growth. Positive US-China trade may support oil demand outlook for rest of the year.

STRENGTH IN DOLLAR INDEX CONTINUES TO PUSH GOLD PRICES DOWN

- ▲ Gold prices were trading flat on Friday, but held close to its lowest in two weeks, as the U.S. dollar bounced back thanks to stronger-than-expected U.S. economic data. U.S. gross domestic product

increased at a 2.6 percent annualized rate in the fourth quarter, above economists' forecasts for a 2.3 percent gain

- ▲ U.S. President Donald Trump warned he could walk away from a trade deal with China if it were not good enough, even as his economic advisers touted "fantastic" progress towards an agreement to end a dispute with the Asian country.
- ▲ A second summit between Trump and North Korean leader Kim Jong Un collapsed over sanctions, and the two sides gave conflicting accounts of what happened, raising questions about the future of their denuclearization negotiations.
- ▲ Palladium's premium - The supply in the palladium got a little tighter. Palladium hit record highs on strike threats at South African mines. The higher push widened palladium's premium against gold.
- ▲ Media speculation on Brexit deal is keeping gold prices firm in the near term. A Media report says that Brexit could be delayed until 2021 under plans being explored by the EU's most senior officials.

Outlook

- ▲ Comex gold found immediate support around \$1305 per ounce; critical resistance is seen around \$1340-\$1349.80. Gold in the near term could decline towards its next support zone of \$1305 from where we could see a rebound. India-Pakistan tension seems to be defusing and the situation looks to be stabilizing which is acting negatively for the precious metal.

RUPEE REMAINS RANGEBOUND AFTER INDIA-PAKISTAN TENSIONS SEEM TO BE DEFUSING

- ▲ The rupee was trading lower against the US dollar on account of some dollar strength after US data.
- ▲ India Pakistan tensions seem to be easing as Imran Khan gave a statement in the parliament that Pakistan was ready to return the Indian Pilot who is in their custody
- ▲ Crude oil prices continue to move higher which usually negatively affect the Rupee, however the current sentiment change due to the tension being doffed has helped Rupee strengthen

FII and DII Data

- ▲ Foreign funds (FII's) bought shares worth Rs. 3210.60 crore, while Domestic Institutional Investors (DII's) sold shares to the tune of Rs 5240.62 crore on February 28th.

Outlook

- ▲ We can expect recovery in rupee if USD-INR pair breaks support level of around 70.96. USD-INR may decline towards 70.40-69.80 if it breaks 70.96. Meanwhile, the key resistance level is seen at 71.60, counter may remain in the range of 71.6-70.40.

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