

## Gold corrects marginally over U.S.-China trade talk

- Gold corrects marginally as investors sought riskier assets after trade talk between United States seem to be headed in the positive direction, Federal Reserve policy has also contributed towards bullion recording a second consecutive weekly increase.
- The Fed's decision is according to market expectations of holding interest rate between 2.25 percent and 2.50 percent. Fed further stated "In light of global economic and financial developments and muted inflation pressures, Committee will be patient as it determines what future adjustments to the target range for the federal funds rate may be appropriate to support these outcomes."
- WGC Gold Report - Central banks purchased 651.5 metric tons in 2018, 74 percent higher than the previous year when 375 tons were bought. WGC has estimated that central banks now hold nearly 34,000 tons of gold. Russian central bank sold almost all of its U.S. Treasury stock to buy 274.3 tons of gold in 2018. Central bank of Turkey increased gold reserves by 51.5 tons in 2018., WGC said total gold demand in 2018 reached a total of 4,345.1 tons.
- Focus on Jobs report –dollar received support after ADP report that the U.S. private sector added 213,000 jobs in January, beating forecasts for 178,000 new jobs, monthly nonfarm payroll data is due to be released today

### Outlook

- Gold above the psychological level of \$1300, weak dollar along with US-China tension over Huawei is keeping precious metals firm. Gold could rally towards \$1328-1356 while above \$1289 in short term. Gold received support from Federal Reserve policy to keep the interest rate on hold but focus is shifting towards monthly nonfarm payroll data, positive data may keep gold rally limited.

## Copper corrects marginally after a rally above \$6100, sentiments remains positive over US-China trade talk, volume dips before Chinese holiday

- Copper prices remain higher ahead of week-long national holiday, market expects progress in high-level trade talks between China and the United States.
- LME Copper rallied above \$6100 per ton after dovish fed comment on rate cycle and decision to keep interest rates unchanged.
- Chinese economy- Chinese manufacturing contracted in January, for the second month in a row, purchasing managers' index (PMI) data showed, the downward pressure on the Chinese economy is still significant. The PMI saw a slight improvement in January, from 49.4 in December to 49.5 while non-manufacturing PMI growing from 53.8 to 54.7 in the same period.
- Mining news
  - The number of miners missing after a tremor struck KGHM Polska Miedz's mine near the Polish town of Rudna fell to one from nine. Supply disruption SUPPLY prices rally, KGHM produces around 700 thousand tonnes of payable copper yearly
  - Mongolia is working with overseas investigators to look into claims of corruption at its giant Oyu Tolgoi copper mine, the country's anti-graft body said. Oyu Tolgoi is scheduled to produce 430,000 tonnes (470,000 short tons) of copper per year, an amount equal to 3% to global production.

### Outlook

- Copper receiving support from optimism over US-China tariff talk and President trump comments, in case copper sustains current breakout above 6100 then a further recovery till 6230-6320 in the near term while critical support remains at 5878-5728 for the medium term.

## **Brent Oil consolidates near \$61, Venezuela sanction and US-China trade talk is in focus**

- Oil prices firm near \$61 as United States and China could soon settle their trade disputes.
- Geopolitical tension - Venezuela's opposition leader Juan Guido declared himself as the interim president earlier this week, winning backing from Washington and large parts of Latin America, prompting Nicolas Maduro, the country's leader since 2013, to break relations with the United States.
- Inventory- Crude inventories rose 919,000 barrels against the expectation of 3.2 million barrels as per the report from Energy Information Administration. Weekly U.S. production of crude oil averaged 11.9 million barrels per day. American Petroleum Institute (API) reported a crude oil inventory build of 2.098 million barrels for the week ending Jan 25 against the expectation of 7.97 million barrels.
- Saudi Oil Cut – Saudi Arabia is targeting oil production of 10.10 million bpd instead of 10.20 million bpd of January levels. Saudi Arabia's voluntary limit under the December cut deal with Russia and other producers were 10.33 million barrels a day.

### **Outlook**

Brent oil has formed a short-term bottom near \$50 a barrel, it is likely to face resistance around \$63.73, while key support remains near 58.74-56.50, the trend is sideways as OPEC production cut and Venezuela tension are keeping oil prices higher however global growth concern may keep rally limited, US inventory report is being closely watched.

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