Disruption to Libyan exports and drop in US inventory are likely to push oil prices higher
Gold rally continues on stimulus hopes

DISRUPTION TO LIBYAN EXPORTS AND DROP IN US INVENTORY ARE LIKELY TO PUSH OIL PRICES HIGHER

- WTI Crude oil prices are currently trading near $58 per barrel, and the positive trend is likely to continue, on the back of support from disruption in Libyan exports and inventory drop in the US.
- Disruption of oil loading at Libyan exports also pushed oil prices higher. As per a Bloomberg report, an oil tanker had to leave Libya's Hariga export terminal without oil, after members of the Petroleum Facilities Guard stopped the vessel from loading crude, amidst an ongoing strike over delayed salary payments.
- Libya has managed to restore its oil production back to 1.25 million bpd, the level the OPEC member exempted from the OPEC+ cuts, but export disruption is likely to keep supporting prices for the short term, as Libyan oil production has also reduced at least by 200,000 bpd for a week in December, due to disruptions.
- Overseas, the market is tightening, as Asian demand picks up, and as Libya, a pivotal OPEC member, which is exempted from the pact on output, continues to experience export disruptions, due to a strike by armed guards at the port of Hariga, who claim not to have been paid. Newswires reports that the country's exports have fallen by nearly 200,000 barrels a day from their recent peak.
- As per an API report, Crude inventories fell by 3.5 million barrels in the week to February 5, to about 474.1 million barrels. The market expectation was for an increase by 985,000 barrels. The official weekly inventory report will be published by the EIA later today. As per the EIA report, U.S. crude oil inventories, as of January 29, were +4.2% above the seasonal 5-year average, gasoline inventories were -1.1% below the 5-year average, and distillate inventories were +7.9% above the 5-year average.
- Global economic data was mixed for energy demand. US December JOLTS job openings unexpectedly rose +74,000 to a 5-month high of 6.646 million, against expectations of a decline to 6.400 million. The U.S. January NFIB small business optimism index unexpectedly fell -0.9, to an 8-month low of 95.0, against expectations of an increase to 97.0. German December exports unexpectedly rose +0.1% m/m, against expectations of -0.6% m/m. Italy December industrial production unexpectedly fell -0.2% m/m, weaker than expectations of +0.3% m/m.
- Asian demand setback is likely to keep a lid on bullish oil prices. India's January oil product consumption fell -2.8% y/y, to 18 MMT. Concerns about Chinese energy demand are also negative for crude prices. The Chinese government is discouraging travel during the upcoming Lunar New Year holidays.

Outlook

- WTI Crude oil prices for the March expiry contract are likely to find support near the 20-days EMA at $54.50 per barrel. Meanwhile, critical resistance is seen around $58.75 per barrel, and $60.91 per barrel.

GOLD RALLY CONTINUES ON STIMULUS HOPES

- Gold and Silver prices are holding gains from the last two days, on stimulus hopes in the US and weakness in the Dollar Index. Gold futures contracts are trading near $1,845, sharply higher from last week's low of $1,784.60. Meanwhile, the dollar index is trading near 90.28, sharply lower from the last high of 91.61.
- President Joe Biden has said on Tuesday that he agreed with a proposal by Democrat lawmakers that would limit or phase out the planned $14,000 stimulus payments to higher-income individuals. Meanwhile, the House of Representatives will vote on the bill on February 22. It will become necessary to pass the bill by mid-March, when enhanced jobless benefits approved in a December 2020 aid package expire.
- Rising inflation expectations are also keeping gold prices firm. Strength in Chinese credit growth may fuel faster inflation, as per official data, China's January new Yuan loans rose by a record +3.580 trillion Yuan (data from 1992), against expectations of +3.500 trillion yuan. Meanwhile, The Chinese CPI grew 1% month-on-month, but fell 0.3% year-on-year, and the Producer Price Index (PPI) grew 0.3% year-on-year in January. Also German CPI figures rose by 0.8%, in-line with estimates.
- The yield on the benchmark US 10-year Treasury notes was last at 1.157 percent, not far from Monday's 10-and-a-half-month high of 1.20 percent. Rising bond yields are likely to keep a lid on precious metals.
- Fed Chair, Jerome Powell's speech, and US CPI data are likely to provide further direction later today.

Outlook

- Gold prices are likely to find support around the 200 days EMA at $1,832, while a key resistance is seen near $1,857-$1,866 levels.

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