DAILY ANALYSIS REPORT

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ABANS

Dollar weakness pushed gold prices higher

EIA raised its US 2021 crude production estimate to 11.15 million BPD

China may opt for tightening liquidity, negative for base metals

DOLLAR WEAKNESS PUSHED GOLD PRICES HIGHER

- Gold prices found initial support from the pandemic relief bill in the US, weakness in the dollar index and recovery in some bond yield prices after a massive rally in the last few months. Gold prices are currently trading near $1,713 which is marginally higher from the recent low of $1,678 registered on 8 March 2021.
- Precious metals are having initial support from President Biden's $1.9 trillion pandemic aid package bill. Also, the 10-year T-note yield on Tuesday fell -5.2 bp to 1.539%, falling back from last Friday's 1-year high of 1.624%. Dollar Index prices were trading lower due to weakness in bond yields.
- Meanwhile, The Organization for Economic Cooperation and Development (OECD) raised its 2021 global GDP estimate to 5.6% from a Dec forecast of 4.2%. On the global economic data front, German Jan exports increased unexpectedly +1.4% m/m against expectations of -1.8% m/m. Also, Italy Jan industrial production rose +1.0% m/m, against expectations of +0.8% m/m. Japan Feb machine tool orders rose +36.7% y/y, the biggest increase in 3 years. Economic recovery is likely to keep gold prices under pressure.
- However, some global economic data still favoured gold as Japan Jan household spending declined -6.1% y/y against expectations of -2.1% y/y. Also, Japan's Q4 GDP was revised downward to +11.7% (q/q annualized), weaker than expectations of +12.6% (q/q annualized).

Outlook

- Gold prices are likely to trade frim while above key support levels around $1,689-$1,662 while it may face stiff resistance around 20 days EMA at $1,750.

EIA RAISED ITS US 2021 CRUDE PRODUCTION ESTIMATE TO 11.15 MILLION BPD

- WTI crude oil prices are trading near $63.55 per barrel and trading weak from the last three sessions from a recent high of $67.88 per barrel registered on 8 March 2021. Crude oil prices fell after Libya's National Oil Co. vowed to raise crude production this year. Additionally, EIA in its monthly Short Term Energy Outlook raised its U.S. 2021 crude production estimate and cut its 2021 U.S. gasoline demand estimate.
- Libya has expanded its crude output to 1.3 million BPD from nominal levels last September, and Libya's National Oil Co. Chairman Sanalla said that Libya would raise its crude production to 1.45 million BPD by the end of this year. Higher production is bearish for crude oil prices.
- Additionally, the EIA in its monthly Short Term Energy Outlook raised its U.S. 2021 crude production estimate to 11.15 million BPD from a Feb forecast of 11.01 million BPD and also cut its U.S. 2021 gasoline demand forecast to 8.60 million BPD from a Feb estimate of 8.62 million BPD. Increasing oil production and lower demand estimates are likely to keep a cap on crude oil prices.

- Crude oil prices received support from the recent OPEC+ meeting held on 4th March 2021. OPEC members decided that they would be sticking with the output cuts that have buoyed the market so far this year. Also Saudi Arabia's pledge to extend a unilateral 1 million barrel-a-day cut through at least April.
- On the Supply-side, Crude oil production for OPEC members in February fell 920,000 BPD to a 4-month low of 24.87 million BPD. However, Iraq Feb crude exports excluding Kurdistan rose +3.1% m/m to 2.96 million BPD.
- Baker Hughes reported on Friday that active U.S. oil rigs rose by +1 rig in the week ended Mar 5 to a 10- month high of 310 rigs, well above August's 15-year low of 172 rigs.
- Meanwhile, API reported that U.S. crude inventories surged +12.8 million bbl last week and gasoline supplies fell -8.5 million bbl last week as per estimates. The official inventory report will be released later today by EIA. The consensus is for Wednesday's weekly EIA crude inventories to climb +3.0 million bbl. As per the previous EIA report, US crude oil inventories as of Feb 26 were +3.6% above the seasonal 5-year average, gasoline inventories were -3.2% below the 5-year average, and distillate inventories were -2.5% below the 5-year average.

Outlook

- WTI Crude oil prices are likely to find a strong support base around $60.35 per barrel while key resistance levels are seen around $67.20-$68.90 per barrel level.

CHINA MAY OPT FOR TIGHTENING LIQUIDITY, NEGATIVE FOR BASE METALS

- LME 3M Copper prices are currently trading near $8,833 per mt which much lower than the recent high of $9,615.50 per mt registered last month. Copper prices recovered from recent losses on demand hopes, however, prices are unable to sustain at higher levels as China may opt for tightening liquidity.
- As per government reports, Peru's copper output could hit a record 2.5 million tonnes this year.
- Stronger-than-expected Chinese trade data is positive for economic growth and is supportive of Copper prices. China Feb exports year-to-date rose +60.6% y/y, stronger than expectations of +40.0% y/y. Also, China Feb imports rose +22.2% year-to-date y/y, stronger than expectations of +16.0% y/y.
- On the inventory front, SHFE copper inventory now stands at 90,666 mt as of 9 March 2021, which has increased by 56,450 mt in the last one month. Copper inventory at LME now stands at 85,050 mt as of 9th March 2021 which has increased by 9,000 mt in the last one month. Increasing inventory in the last one month is putting additional pressure on copper prices.

Outlook

- Copper prices are likely to remain under pressure while below the key resistance level of $9,016 per mt and $9,204 per mt. It may find a strong support base around 50 days EMA at $8,396 per mt.

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