

Crude oil drops further on US oil rig count report and trade talks with China

- Oil prices remained weak as a trade war between the U.S. and China would continue weighing on oil demand. The counter may receive some support from the US inventory report and geological tension in Venezuela.
- US oil companies added 7 oil rigs in the week of February 8th making a total count of 854. US Crude oil production may remain high this week, market eyes on the weekly inventory report
- Sanction on Venezuela - The Trump administration unveiled sanctions on Venezuela's state-owned oil firm Petr leos de Venezuela SA last week in an effort to cut off money to President Nicol s Maduro, days after opposition leader Juan Guaid  declared himself interim president of the country, political turmoil raises the risk of disruption to Venezuela's oil output.

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, 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 and US talk progress with China is being closely watched for further direction.

Zinc move from premium to discount on easing supply, the first time since sept'18

- Cash zinc has moved from a premium to a discount against the three-month LME contract for the first time since September, suggesting that the shortages in nearby supply are easing.
- Chinese markets opened today after their New Year holiday, Chinese zinc prices are expected to track London prices.
- Zinc prices could be more volatile till March on demand and supply issues.

Copper below \$6200 per ton, US-China trade talk is in focus again, global growth to weigh on prices

- The U.S. to press China on demands that it reform how it treats American companies' intellectual properties in order to seal a trade deal.
- Chilean state copper miner Codelco saw a 1.9 percent drop in its output in 2018, at 1.8 million tonnes, while production at the world's largest copper mine, Escondida, shot up 34 percent in 2018 (Chile's copper commission Reports)
- Industrial output in Europe's biggest economy- Germany, registered an unexpected fourth consecutive monthly decline in December
- The Bank of England said Britain faces its weakest economic growth in a decade.

Outlook

- Copper is receiving support from optimism over US-China tariff talk and President Trump's comments. Global growth concern and increasing supplies are keeping rally limited. As Copper sustains above 6100 then a further rally towards 6320 could be seen while critical support remains near 5878-5728 in the medium term.

The Indian rupee continued to gain after a sharp decline in crude oil prices, strength on dollar index is a risk

- The dollar index is up for the eighth consecutive session aiming renewed uncertainty ahead of US-China trade talks later in the week. Strength in the dollar will keep rupee in range for the rest of the week.
- Last week, March WTI crude oil futures settled down \$2.54 or -4.60% and Brent oil closed at \$62.10 or -0.65 or -1.05%, weakness further escalated this week as well. This weakness is supporting Indian rupee.
- The rupee climbed and 10-year bond yields declined after RBI's Monetary Policy Committee (MPC) lowered the repo rate by 25 basis points to 6.25 percent at the central bank's sixth bi-monthly policy review.

FII and DII Data

- Foreign funds (FII's) bought shares worth Rs. 843.73 crore, while Domestic Institutional Investors (DII's) sold shares to the tune of Rs 96.04 crore on February 8th
- In February 2019 FIIs net bought shares worth Rs. 3581.12 crore, while DII's were net sellers to the tune of Rs. 16.65 crore.

Outlook

- Indian rupee is receiving support from a current rally in equities and FII's buying; however rising oil prices along with strength in dollar remains a matter of concern. The USD-INR pair broke its key resistance level near 70.80; the next resistance is seen near 72.60 while important support is at 70.40-69.90.

Gold remains higher on uncertainty over rising fear of US government shutdown and trade talks with China

- Uncertainty over U.S.-China trade relations and the potential for another U.S. government shutdown continue to support gold from lower levels
- Federal Reserve testimony - Federal Reserve Chairman Jerome Powell is expected to testify on U.S. monetary policy and the economy before the House Financial Services Committee on Wednesday.
- Venezuela- Political tensions are reaching boiling point, with the oil-rich, but cash-strapped; historically gold receives support from such events. Thousands of anti-government protesters took to the streets of the capital city over the weekend to demonstrate against President Nicolas Maduro.
- Brexit- uncertainty continues, The UK Parliament's next opportunity to vote on Brexit, which had been expected for February 14, could be delayed; UK official said that a deal was unlikely to be agreed in the next week and that the vote could take place later.

Outlook

- Gold may remain above the psychological level of \$1300 and it could rally towards \$1328-1356 while above \$1289 in short term. Gold will continue to receive support from geopolitical issues such as Brexit, Venezuela and trade talks between the US and China.

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