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Positive trend intact in WTI crude oil, while above \$49 per barrel

Gold is trading weak on strength in the Dollar

Nickel to find support near the 50-days EMA at \$16,617

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**POSITIVE TREND INTACT IN WTI CRUDE OIL, WHILE ABOVE \$49 PER BARREL**

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- ▲ Crude oil prices have rallied nearly 7% in the last week, after Saudi announced surprises cuts. The positive trend is likely to continue, following a prospect for additional stimulus, after US December nonfarm payrolls unexpectedly declined.
- ▲ According to Citigroup research, Saudi Arabia's additional crude supply cuts are likely to tighten global crude balances by 1.1 million bpd.
- ▲ Meanwhile, Iraq increased Basrah Light crude to buyers in Asia by 70 cents a barrel, to a \$1.10 premium over the regional benchmark.
- ▲ Heating demand in China, due to the cold winter, is likely to provide support to energy prices. Nine Chinese northern provincial power grids have reached record-high loads, as heating demand has surged, due to extreme cold weather.
- ▲ On the economic data front, U.S. December nonfarm payrolls unexpectedly fell for the first time in 8 months, as they dropped -140,000, showing a weaker labour market, than expectations of +50,000. The Eurozone November unemployment rate unexpectedly fell -0.1, to a 5-month low of 8.3%, against market expectations of an increase to 8.5%. German November industrial production rose +0.9% m/m, stronger than expectations of +0.8% m/m. Japanese November household spending unexpectedly rose +1.1% y/y, stronger than expectations of -1.0% y/y.
- ▲ According to the CFTC Commitments of Traders report for the week ended January 5, net long for crude oil futures gained +6,918 contracts, to 518,649 for the week. Speculative long positions jumped +28,438 contracts, while shorts rose +21,520 contracts.
- ▲ Baker Hughes reported on Friday that the number of oil rigs in the United States rose by 8, to 275, well above August's 15-year low of 172 rigs.

**Outlook**

- ▲ WTI Crude oil prices for the February expiry contract are likely to find support near the 10-days EMA at \$50.49 per barrel, and the 20-days EMA at \$49.07 per barrel. Meanwhile, critical resistance is seen around \$52.60 per barrel and \$55.92 per barrel.

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**GOLD IS TRADING WEAK ON STRENGTH IN THE DOLLAR**

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- ▲ Gold prices touched a near six-week low, and are currently trading near \$1,837. U.S. Treasury yields have put pressure on the bullion prices. The US 10-year Treasury yield was trading firm above 1%, which helped the US dollar to reach a near three-week high.
- ▲ Federal Reserve vice Chair, Richard Clarida's comments on Friday, also pushed gold and silver prices lower, when he said that the U.S. economy was headed for an "impressive" year, helped by coronavirus vaccines, and potential for larger government spending.

- However, negative US nonfarm payroll data is likely to support bullion prices. The US economy unexpectedly shed 140,000 jobs in December, the first decline since April, while the jobless rate remained at 6.7%. U.S. President-elect, Joe Biden, on Friday, hinted at a more direct pandemic relief to families, including \$2,000 stimulus checks, after seeing the monthly NFP data.
- According to the CFTC Commitments of Traders report for the week ended January 5, net long for gold futures gained +10,446 contracts, to 279,318 for the week. Speculative long positions jumped +8,134 contracts, while shorts dropped -2,312 contracts.
- The worsening pandemic is curbing global economic growth, and is likely to keep gold prices firm. The overall number of global coronavirus cases has topped 86.37 million, while the deaths have surged to more than 1.87 million, according to the Johns Hopkins University.

## Outlook

- Gold prices are likely to find support at the 200-days EMA at \$1,830 per ounce, while key resistance is likely to be seen around the 50-days EMA at \$1,878.

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## NICKEL TO FIND SUPPORT NEAR THE 50-DAYS EMA AT \$16,617

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- Prices of base metals fell today, as China saw its biggest daily increase in COVID-19 cases in more than five months. China's Hebei province, a major hub for making steel and lead-acid batteries, accounted for 82 of the 85 new local infections reported on January 10, the National Health Commission (NHC) said in a statement. Nickel prices are currently trading at \$17,260, nearly 5% lower from last week's high.
- As on 8<sup>th</sup> January, 2021, LME Inventory for Nickel has increased significantly in the last one year. Current inventory stands at 249,018 mt, and has increased by 82,920 mt in the last one year, which is 33% of the current stock. However, inventory at SHFE has dropped in the last one year by 21,394 mt, and the current inventory stands at 15,390 mt.
- Weakness in stainless steel prices is likely to keep nickel prices under pressure. Chinese steel product futures dropped on Monday, with stainless steel falling more than 4% in early trade. Steel inventories have piled up for a second consecutive week, on the back of easing seasonal demand, and a surge in domestic COVID-19 infections is keeping up the pressure on domestic demand.
- On the economic data front, the Producer Price Index (PPI) fell 0.4% from a year earlier, the National Bureau of Statistics said in a statement. The index was expected to fall 0.8%, according to a median forecast in a Reuters poll, after a 1.5% drop in November. It is suggesting China's manufacturing sector to continue seeing a steady recovery from the COVID-19 shock.

## Outlook

- Nickel prices are likely to find support near the 50-days EMA at \$16,614 per mt, while critical resistance is seen near \$17,735-\$18,129 per mt.

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