DAILY ANALYSIS REPORT

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ABANS

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Weak demand forecast added some pressure on crude oil prices

GOLD TO FIND SUPPORT ON DOVISH CENTRAL BANK COMMENTS AND LOWER GLOBAL GOVERNMENT BOND YIELDS

- Gold prices retraced back from the $1,848.60 level yesterday, after US bond yields rose and supported the strength in the Dollar Index. US Treasury yields traded higher and pushed the Dollar Index higher against other currencies, after Federal Reserve Chairman, Jerome Powell's comments on the US economy and the employment situation.
- Weak demand for the Treasury's $27 billion auction of 30-year T-bonds yesterday pushed yields higher, and pushed gold and silver prices lower. However, Gold is likely to find support from lower global government bond yields. The 10-year Italy government bond yield fell to a record low of 0.450% on Thursday and the 10-year German bond yield fell to a 1-week low of -0.473%.
- On the US economic data front, weekly initial unemployment claims fell -19,000 to 793,000 against the market forecast of a decline to 760,000.
- Dovish Comments from San Francisco Fed President, Daly, were also bullish for gold prices. She expects the Fed maintaining its bond-buying pace through the year 2021, which is likely to keep supporting the bullish spree in gold.
- Meanwhile, the European Commission cut its 2021 Eurozone GDP forecast to 3.8%, from 4.2%. Gold prices have support from the Covid pandemic, which is dovish for global central bank policies. The total number of global coronavirus cases has surpassed the 107.7 million mark, while the deaths have surged to more than 2.36 million, according to the Johns Hopkins University.

Outlook

- Gold prices are currently trading near $1,820, and are likely to find support on the back of dovish central bank comments and lower global government bond yields. Immediate support levels are seen around $1,805 and $1,789, while immediate resistance is seen near $1,843-$1,869 levels.

WEAK DEMAND FORECAST ADDED SOME PRESSURE ON CRUDE OIL PRICES

- Crude oil prices are trading lower from the last two trading sessions, following strength in the Dollar Index, and weak demand forecast from an International Energy Agency (IEA) monthly report. Global jet fuel demand is also keeping a cap on oil prices, due to travel restrictions in many countries, following a fresh breakout of coronavirus cases.
- The IEA cut its 2021 global oil demand forecast by -200,000 bpd, to 96.4 million bpd, from 96.6 million bpd, in its monthly report. The IEA also sees non-OPEC+ crude supply climbing by +830,000 bpd in 2021. Meanwhile, data from the Official Airline Guide (OAG) shows that weekly scheduled airline flights globally were down 47% from a year ago, and were down -39%, based on daily actual commercial flight tracking by FlightRadar24. Travel restrictions are likely to keep a cap on the current oil prices rally.

- Meanwhile, US crude oil inventories, as of February 5, were +1.8% above the seasonal 5-year average, gasoline inventories were -0.1% below the 5-year average, and distillate inventories were +6.9% above the 5-year average as per a recent EIA report .
- US crude oil production in the week ended February 5 rose +0.9% w/w, to 11.0 million bpd, and is down by -2.1 million bpd, from the record high of 13.1 million bpd.

Outlook

- Crude oil prices are likely to trade firm, while above the key support levels around the 20- days EMA at $55.16, and the 50-days EMA at $51.53. Meanwhile, an immediate resistance is seen around $59.55 and $60.50 levels.

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