

Brent oil rallied on API reports, inventory drop by 998000 barrels, Saudi Plans deeper supply cut

- The American Petroleum Institute (API) reported crude inventory draw of 998,000 barrels against market expectation of buildup of 2.3 million barrels for the week ending February 8. EIA weekly report is scheduled for Wednesday.
- As API reports, Gasoline inventories build up by 746000 barrels against market expectation of 508000 buildups; while Distillate inventories build up by 508000 barrels against market expectation of a draw of 1.090 million. Crude oil inventories at the Cushing, Oklahoma facility fell by 502,000 barrels for the week.
- Saudi Arabia says it will reduce oil production to nearly 9.8 million barrels per day in March, well below its production quota under a deal to cap output. OPEC had reduced oil production almost 800,000 bpd in January to 30.81 million bpd under its voluntary global supply pact.
- Oil prices are receiving support amid at OPEC-led supply cuts and US sanctions against Iran and Venezuela. Although upside is capped on trade war between the U.S. and China that would continue weighing on oil demand.
- 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 to positive 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.

Gold receive support from Fed and tensed trade talk between US-China

- 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. Fed Chairman Jerome Powell said in a speech in Mississippi that many rural areas have not benefited from U.S. national prosperity.
- US-China trade talk - U.S. President Donald Trump said on Tuesday that he could see letting the March 1 deadline for reaching a trade agreement with China slide a little if the two sides were close to a complete deal. Both countries had expressed hopes that a new round of talks which began this week would bring them nearer to easing their seven-month trade war.
- Venezuela- Political tensions are reaching boiling point, with the oil-rich, but cash-strapped economy; 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 voting might take place later.

Outlook

- Gold may remain above the psychological level of \$1300 and it could rally towards \$1328-1356 while above the key support level of \$1289 per ounce. Gold will continue to receive support from geopolitical issues such as Brexit, Venezuela and trade talks between the US and China. The current rally in dollar index is a risk to bullish move in gold prices for the short term.

Copper recovered on hope for a positive talk between US and China

- US-China trade dispute resurfaces after China expressed anger on Monday at a US Navy mission through the disputed South China Sea. Although U.S. President Donald Trump said on Tuesday that he could see letting the March 1 deadline for reaching a trade agreement with China slide a little if the two sides were close to a complete deal.

- US President Donald Trump said last week he did not plan to meet with Chinese President Xi Jinping before the 1st of March, which is the deadline for the trade deal.
- Inventory - LME Copper warehouse stock decreased by 1700 mt in last five days to 148250mt, with the net change of -42percent in last six month. Comex Copper warehouse stock decreased by 9241 mt in last five days to 74591mt, with the net change of -65percent in last six months.

Outlook

- Global growth concern and increasing supplies are keeping rally limited. If 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 last week

- The rupee remains at an over one-month high against the US dollar due to sales of the dollar by foreign banks, likely on behalf of foreign portfolio investors and exporters.
- On the global front, the dollar index continued its bullish move for last two weeks 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.
- US crude rises 1.3%, settling at \$53.10, as Saudis plan deeper oil supply cuts
- The rupee rallied from last two weeks 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) sold shares worth Rs. 466.78 crore, while Domestic Institutional Investors (DII's) sold shares to the tune of Rs 122.64 crore on February 12th
- In February 2019 FIIs net bought shares worth Rs. 2989.29 crore, while DII's were net sellers to the tune of Rs. 371.84 crore.

Outlook

- FIIs flow in into Indian market is supporting the current move in rupee against dollar. Although selling into equities, rising dollar index and high crude prices is the risk. USD-INR pair was unable to sustain above 72 and broken key support around 71.20, more decline is possible towards next level of support at 70.40-69.80 while critical resistance remains near 72.40

Steel price slips on growth concern, iron prices retrace back on supply speculation

- China's iron ore and steel futures eased after surging to their highest levels in multiple months this week as speculators reduce position amid concerns over trade talks between US and China.
- Iron ore futures in China fell nearly 5 percent, as the market awaited clarity on the magnitude of supply disruption following Vale SA's dam closures.
- China Steel Inventory- Steel mill inventory: According to private consultancy Rebar inventories at mills are projected to increase by 1,410,900 tons
- US-China trade talk - U.S. President Donald Trump said on Tuesday that he could see letting the March 1 deadline for reaching a trade agreement with China slide a little if the two sides were close to a complete deal. Both countries had expressed hopes that a new round of talks which began this week would bring them nearer to easing their seven-month trade war.

Outlook

- Steel rebar future on SHFE may find support from rising iron ore prices as it is used as raw material to make rebar and other steel product; Although growth concern over US-China trade talk may weigh on domestic demand for steel products. Key support level is seen around 3861 while important resistance is seen around 4013.

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Contact Details

Abans Broking Services (P) Limited

36, 37, 38A, 3rd Floor, 227 Nariman Bhavan,
Backbay Reclamation, Nariman Point,
Mumbai - 400 021
Phone +91-22-61790000 Fax +91-22-61790010
Email: info@abans.co.in Website: www.abans.co.in

Social Media



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Prepared By:

Mr. Kamlesh Jogi, Market Research Analyst

E-mail: kamlesh.jogi@abans.co.in

Phone: +91-22-68354176 (Direct)

Communication Address: 36, 37, 38A, 3rd Floor, 227 Nariman Bhavan,
Backbay Reclamation, Nariman Point,
Mumbai - 400 021

Membership Details:

MCX Member ID: 40385 / SEBI Reg. No. INZ000032733;

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