Zinc supply to be disrupted after floods in Australia

- Floods in Australia's Queensland state are set to disrupt the rail delivery of zinc exports to the northern port of Townsville, with the line likely to be out of action for at least a month.
- LME zinc stocks are at their lowest since January 2008,
- Cash zinc was trading at a discount of $6.25 a tonne to the three-month price, down from a premium of $125 in early December, in a sign of weaker immediate demand.
- China's zinc output at 4.53 million tonnes in 2018 as per the private survey report, production decline of 4.6 percent, or 218,000 tonnes, from 2017, the steepest drop since 2013.

Outlook

- The recent decline in zinc is mainly due to US-China trade talk; though counter may find strong support around 2610-2590 on supply concerns as world market is expected to remain in deficit if demand regains post-US-China trade talk.

Copper recovery continues on hope of a positive talks between US and China

- U.S. and Chinese negotiators are set to kick off two days of official trade talks in Beijing on Thursday as the world's top two economies try to patch up their festering economic dispute.
- Inventory – LME Copper warehouse stock decreased by -1650 mt in last five days to 147900mt, with net change of -42percent in last six month. Comex Copper warehouse stock decreased by -5288 mt in last five days to 73670mt, with net change of -65percent in last six month.

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 near 5878-5728 in the medium term.

Gold remain in range as fed comments on interest rate and rally in equities balance the move

- Gold prices continue to remain rangebound as fed comments on interest rate push the prices higher but rally in US equities limits gains. U.S. Federal Reserve indicated in testimony that it will likely be patient on further interest rate hikes, but rallying global equities kept the precious metal gains in check.
- US CPI- U.S. consumer prices were unchanged for a third straight month in January, in the 12 months through January, the CPI rose 1.6 percent, the smallest gain since June 2017. The CPI increased 1.9 percent on a year-on-year basis in December.
- US-China trade talks - U.S. and Chinese negotiators are set to kick off two days of official trade talks in Beijing on Thursday as the world's top two economies try to patch up their festering economic dispute.
- Venezuela- Political tensions are reaching boiling point, with the oil-rich, but cash-strapped economy; resident Donald Trump will deliver a speech on Venezuela in Miami on Monday and voice support for Juan Guaido.
- Brexit- uncertainty continues, lawmakers in the U.K. are set to debate and vote on the next steps in the Brexit process later in the session. It comes as Prime Minister Theresa May continues to try to get a deal through Parliament, with time running out before the country leaves the European Union next month.

Outlook

- Gold may remain above the psychological level of $1300; it could rally towards $1328-1356 while above the key support level of $1289 per ounce. Gold is likely 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 gold prices in the short term.

Brent oil rallied further on Saudi's plan for deeper supply cut in March'19

- 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.
- EIA Report - U.S. crude oil inventories rose by 3.6 million barrels against market expectations of 2.7 million barrels last week to the highest since November 2017 as refiners cut runs to the lowest since October 2017.
- 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.

Outlook

- Brent oil has crossed critical resistance around $63.74 per barrel and immediate upside is seen till $66.87 and $68.60 per barrel, while key support remains at $62.20 and $60.80 Brent oil is expected to remain 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 talks progress with China are being closely watched for further direction.

The Indian rupee lost the ground over rally in crude oil and sell off into equities

- The rupee lost the ground after crude oil rally and sell off into Indian equities.
- On the global front, the dollar index continued it 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.
- Oil gains, with Brent crude closing at a nearly 3-month high, buoyed by reports of further reductions to global output and optimism around constructive U.S.-China trade negotiations.

FII and DII Data

- Foreign funds (FII's) sold shares worth Rs. 676.63 crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs 713.10 crore on February 13th
- In February 2019 FIIs net bought shares worth Rs. 2312.66 crore, while DII's were net sellers to the tune of Rs. 341.26 crore.

Outlook

- FII out flow into Indian market from last three days are supporting the current move in rupee against the dollar. Selling into equities, rising dollar index and high crude prices is the key reason behind this move. USD-INR pair was unable to sustain above 72 and broke key support around 71.20, further decline is likely towards next level of support at 70.40-69.80 while critical resistance remains near 72.40.

Chinese steel exports in January climbed to their highest level since last June

- Chinese steel exports in January climbed to their highest since last June at 6.19 million, up from 5.56 million tonnes in December. That came amid flat domestic demand over winter and falling steel prices since November.
- China's iron ore futures fell for a third consecutive session on Thursday, reflecting weak appetite for the high-priced raw material and doubts over actual supply disruption at the world's biggest iron ore miner after a fatal accident.
- Iron ore supply is expected to tighten after the accident at Vale SA's mine in Brazil as regulators close sites.
- China Steel Inventory- Steel mill inventory: According to private consultancy Rebar inventories at mills are projected to increase by 1,410,900 tons

Outlook

- Demand outlook and current inventory report suggest a further decline in Rebar prices from current level to next level of support around 3758-3708, growth concern over US-China trade talk may weigh on domestic demand for steel products. Steel rebar future on SHFE may find support from rising iron ore prices as it is used as a raw material to manufacture rebar and other steel product; next level of resistance is seen around 3893-3912

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