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OPEC+ production is likely to keep a lid on oil prices  
Strength in the Dollar Index has pushed Copper prices lower  
Gold prices are likely to trade firm

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## OPEC+ PRODUCTION IS LIKELY TO KEEP A LID ON OIL PRICES

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- Crude oil prices are likely to be under pressure, following strength in the Dollar Index, demand losses from the covid pandemic, and reducing OPEC production compliance. However, crude oil prices found support from an US weekly inventory report from the EIA.
- Wednesday's weekly EIA report has provided support to oil prices. U.S. crude inventories fell -3.25 million bbl, to a 9-1/2 month low, a bigger decline than expectations of -3.00 million bbl. However, gasoline supplies rose +4.40 million bbl, to a 5-month high, more than expectations of a +2.50 million bbl build, and distillate stockpiles rose +4.79 million bbl, more than expectations of +2.00 million bbl.
- Reduced OPEC+ compliance with crude production cuts is likely to keep oil prices under pressure. OPEC compliance with crude output cuts in December fell -10%, to 82%, and compliance among non-OPEC countries dropped -8% in December to 64%.
- Russia's Energy Ministry on Monday reported that Russian crude production in the first ten days of January, was 10.188 million bpd, a +1.5% increase from December's average daily output.
- However, crude prices are under a positive trend from the last week, after Saudi Arabia said it would cut its crude output by 1.0 million bpd in February and March. That will more than offset the combined 75,000 bpd increase, which Russia and Kazakhstan will be allowed to make in each of those months.

### Outlook

- WTI Crude oil prices for the February expiry contract are likely to find support near the 10-days EMA at \$51.48 per barrel, and the 20-days EMA at \$49.90 per barrel. Meanwhile, critical resistance is seen around \$54.26 per barrel, and \$56.29 per barrel.

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## STRENGTH IN THE DOLLAR INDEX HAS PUSHED COPPER PRICES LOWER

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- Copper prices are trading near \$7,968 per mt, with a negative bias, due to strength in the Dollar Index. However, positive economic data is likely to support metals prices.
- Global economic data was positive for base metals prices. Eurozone November industrial production rose +2.5% m/m, stronger than expectations of +0.2% m/m, and the biggest increase in 4 months. Also, Japan's December machine tool orders rose +8.7% y/y, the biggest increase in 2-1/4 years.
- Meanwhile, China imported record volumes of unwrought copper and copper products on an annual basis in 2020, while its annual exports of aluminium fell to the lowest since 2017.
- China's exports grew more than expected in December, albeit at a slower pace than the month before, as global demand for Chinese goods remained solid, while import growth quickened.
- Copper stock at SHFE has dropped nearly 39,889 mt in the last one year, and now stands at 25,893 mt, as on 13<sup>th</sup> January, 2021. Meanwhile, Copper stock at LME has dropped near 50,650 mt

in the last three months, and now stands at 102,550, as on 13<sup>th</sup> January, 2021.

## Outlook

- ▲ Copper prices are likely to trade firm, while remaining above the key support level of the 20-days EMA of \$7,889 per mt, and the 50-days EMA of \$7,605 per mt. Meanwhile, key resistance is seen near \$8,145-\$8,243 per mt.

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## GOLD PRICES ARE LIKELY TO TRADE FIRM

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- ▲ Strength in the Dollar Index has put pressure on gold prices, on reports that US President elect, Biden, could announce a \$2 trillion coronavirus relief aid, which have pushed the benchmark 10-year Treasury yields near ten-month highs, and supported the US Dollar Index, which is negative for gold prices.
- ▲ On the economic data front, U.S. consumer price data showed slack price pressures, which are negative for gold demand as a hedge against inflation. The U.S. December CPI (ex-food & energy) rose +0.1% m/m, and +1.6% y/y, right on expectations.
- ▲ Gold prices are likely to get further direction from the US monetary policy outlook, when Fed Chair, Jerome Powell, participates in a virtual event later today. The Fed said on Wednesday that the U.S. economy was growing modestly, although the optimism was tempered, due to a surge in coronavirus cases.
- ▲ Dovish Fed comments from global central banks are likely to support precious metals. Fed Governor, Brainard, said, "the economy is far away from our goals in terms of both employment and inflation and that the current pace of bond purchases will remain appropriate for quite some time." Also, St Louis Fed President, Bullard, said that the Fed must "regain credibility" that it will hit its 2% inflation target and "we are going to be less pre-emptive than we would have been" in previous decades and "we are going to let inflation go over target."
- ▲ ECB Governing Council member, Villeroy de Galhau, sounded dovish for his comments, when he said that "the ECB remains clearly committed to its 2% inflation target and to achieve this we will maintain favourable monetary conditions for as long as necessary."
- ▲ World Bank Chief Economist Reinhart warned that the protracted nature of the Covid pandemic might overwhelm household and business balance sheets, and develop into a financial crisis.
- ▲ 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 93 million, while the deaths have surged to more than 1.96 million, according to the Johns Hopkins University.

## Outlook

- ▲ Gold prices are likely to find support at the 200-days EMA at \$1,831 per ounce, while key resistance is likely to be seen around the 50-days EMA at \$1,876.

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