

Gold stuck up in a tight range, weak retail sales data to weigh on US Dollar index

- The dollar index fell, weighed down by disappointing U.S. data. Retail sales showed the biggest drop in nine years during December and weekly jobless claims increased.
- Gold prices bounced from recent low but remain in range as the dollar declined on weak economic data. The Federal Reserve would stick to its dovish stance on monetary policy after poor retail sales and jobless claims data.
- 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. President Donald Trump said on Wednesday that the talks were "going along very well".
- 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, after British Prime Minister Theresa May suffered another humiliating defeat in the House of Commons, last night's events have pushed Britain closer to a no-deal exit from Europe

Outlook

- Gold may remain above the psychological level of \$1300 and 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. Any rally in dollar index is a risk to bullish gold prices in the short term.

China copper imports rose to 479000 tonnes or 12% up from December, focus on US-China talk

- Copper imports into China, the world's top copper consumer, rose 12% from December to 479,000 tonnes in January, according to customs data, their highest level since September. Imports of copper concentrate also rose to 1.895 million tonnes, the second-highest monthly total on record.
- Copper prices dropped after China's factory-gate price growth missed expectations, China's producer price inflation slowed for the seventh straight month in January to its weakest pace since September 2016, raising concerns the world's top copper consumer may see the return of deflation as domestic demand cools.
- US and Chinese negotiators began the second day of negotiations in Beijing with little progress on core issues. Investor uncertainty over the outcome of the talks weighed on stock markets across Asia today.
- Inventory – LME Copper warehouse stock decreased by -3875 mt in last five days to 145525mt, with the net change of -43percent in last six month. Comex Copper warehouse stock decreased by -6154 mt in last five days to 72417mt, with the net change of -66percent 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 remains near 5878-5728 in the medium term.

Brent oil continues the bullish rally on Saudi's plan for deeper supply cut in March'19

- Supply Cut- OPEC+ has agreed to cut crude output by 1.2 million barrels per day (bpd). Russia has cut its oil production by 80,000-90,000 barrels per day from its level in October.
- 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 by almost 800,000 bpd in January to 30.81 million bpd under its voluntary global supply pact.
- Oil production from non-OPEC producers like Brazil, Mexico or the North Sea has also been struggling, further tightening the market.
- U.S. output to rise past 12 million bpd soon, and perhaps even hit 13 million bpd by the end of the year, EIA reported that 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.

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 could continue to keep oil prices at elevated levels 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 drops further after sell-off into equities continues and crude oil rallied to 3Month high

- The rupee lost the ground after crude oil rally and sell off into Indian equities continued for the seventh day
- Oil gains, with Brent crude closing at nearly a 3-month high, buoyed by reports of further reductions to global output and optimism around constructive U.S.-China trade negotiations.
- US Dollar Index tumbles to daily lows near 97.00 on US data, US Retail Sales plummeted 1.2% MoM in December.

FII and DII Data

- Foreign funds (FII's) sold shares worth Rs. 250.23 crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs 1225.24 crore on February 14th
- In February 2019 FIIs net bought shares worth Rs. 2062.43 crore, while DII's were net buyers to the tune of Rs. 1566.50 crore.

Outlook

- FII outflow into the Indian market from last three days are supporting the current move in rupee against the dollar. Selling into equities and high crude prices are the key reason behind rupee weakness. USD-INR pair bounced from 70.50 and may face minor resistance around 71.90-72.20.

China steel prices decline further, CPI data missed expectations

- Steel Rebar prices drop further after poor CPI data, China's Consumer Price Index missed expectations in January coming in at 1.7 percent against market expectations of 1.9 percent.
- China's producer price index (PPI), which measures costs for goods at the factory gate, edged up 0.1 percent year on year in January.
- Most steel mills in China are still on the Lunar New Year holiday break and will not start to replenish their stocks until next week
- 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 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 levels to next level of support around 3710-3658, growing 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 it being used as a raw material to manufacture rebar and other steel product; the next level of resistance is seen around 3833-3920

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