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Gold to get fresh direction from Fed meeting outcome  
Positive trend to continue in Copper

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## GOLD TO GET FRESH DIRECTION FROM FED MEETING OUTCOME

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- ▲ The dollar is trading in the range near 91.87 ahead of the Fed meeting and also keeping a lid on precious metals prices move. Gold is trading near \$1,735, slightly higher from the previous trading session.
- ▲ The Federal Open Market Committee is scheduled to take a decision on interest rates later today followed by a press conference from Fed Chairman Jerome Powell which may give further direction to the market.
- ▲ Fed is likely to keep the interest rate near zero; further, it may continue buying at least \$120 billion worth of bonds every month to keep markets liquid.
- ▲ However, it would be important to watch Fed comments on US economic condition post robust vaccination drive and new pandemic relief package. The Fed's Economic Projections indicated December GDP growth at 4.2%, unemployment rate at 5%, and inflation at 1.8%. Albeit, Goldman Sachs recently raised its GDP forecast to 7% for the full year and a drastic drop in the unemployment rate. Fed's comments on inflation along with rising global bond yields would also be an important point to watch out for. Fed may adjust some of its bond-buying programs to keep long-term yields under control.
- ▲ However, bond yields are likely to keep a cap on gold prices. On Tuesday, The US 10-year T-note yield rose +1.6 bp to 1.621%, modestly below last Friday's 13-month high of 1.641%. A similar trend continued in the early hours of Wednesday.
- ▲ Inflation data is the key indicator to watch out for a move in gold prices as an investment in gold is used as a hedge against inflation. US Feb import price index ex-petroleum rose +0.5% m/m against expectations of +0.4% m/m. Strong inflation expectation is likely to support gold prices.

### Outlook

- ▲ Gold prices are likely to trade firm while above the key support level of \$1,715 and \$1,682. It may find stiff resistance around \$1,747 and \$1,775.

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## POSITIVE TREND TO CONTINUE IN COPPER

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- ▲ Copper prices are trading near \$9,025 sharply up from yesterday's low of \$8,908.5 on the backdrop of weakness in the dollar index ahead of the US Fed meeting announcement later today.
- ▲ China's imports of copper are likely to rebound in March on the backdrop of revival into economic condition. An official target of 6% economic growth in China is bullish for industrial metals demand.

- As per custom data, the first two months of 2021 saw unwrought copper imports of 884,009 tonnes, up 4.65% from the same period in 2020.
- Meanwhile, US economic data was mostly negative for industrial metals demand and bearish for copper prices. US Feb retail sales fell -3.0% m/m and -2.7% m/m ex-autos against expectations of -0.5% m/m and +0.1% ex-autos and the biggest decline in 10 months. Feb manufacturing production unexpectedly fell -3.1% m/m against expectations of +0.2% m/m and the biggest decline in 10 months. Also, the Mar NAHB housing market index unexpectedly fell -2 to 82 against expectations of unchanged at 84.
- Copper inventory has increased at LME by 30175mt in the last one month and now stand at 103,900 mt as of 16th March 2021. Also, inventory at SHFE has increased by 78134 mt in the last one month and now stand at 113,900mt as of 16th Mar'21. An increase in inventory at both LME and SHFE is indicating ample supply and sluggish demand and likely to keep a lid on Copper prices.
- As per reports from Reuters, Chilean miner Antofagasta expects to reach a pay deal with its workers this month, as wage talks at its Los Pelambres mine extended into next week in an effort to avoid a strike. Also, Top copper producer Codelco received approval from the regional environmental regulator to extend the life of its Radomiro Tomic mine in Chile until 2030.

## Outlook

- Copper prices are likely to trade firm while above the key support level of 20 days EMA of \$8,897 and 50 days EMA of \$8,516 while immediate resistance level is seen around \$9,224 and \$9,307.

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