
Gold rallied to a one-month high
Weakness in the Dollar Index is keeping oil prices firm
LME Copper prices near 8-year highs

GOLD RALLIED TO A ONE-MONTH HIGH

- ▲ Weakness in the Dollar index, on the back of increasing optimism over US stimulus has pushed gold prices to one-month highs. US lawmakers are likely to pass another debt-fueled pandemic aid package.
- ▲ Gold price rally started after the Fed meeting, where it said it would maintain its asset purchases until they see "substantial further progress" in reducing unemployment and increasing inflation.
- ▲ Gold prices also found support on the back of worsening pandemic, which is curbing global economic growth. The overall number of global coronavirus cases has topped 74.8 million, while the deaths have surged to more than 1.66 million, according to the Johns Hopkins University.
- ▲ On economic data front, US weekly initial unemployment claims unexpectedly rose +23,000 to a 3-1/4 month high of 885,000, showing a weaker labour market than expectations of a decline to 818,000. Also, the December Philadelphia Fed business outlook survey fell -15.2 to a 7-month low of 11.1, weaker than expectations of -6.3 to 20.0.

Outlook

- ▲ Gold prices are likely to find support at the 20-days EMA at \$1,855 per ounce, while key resistance is likely to be seen around \$1,905 per ounce \$1,958 per ounce.

WEAKNESS IN THE DOLLAR INDEX IS KEEPING OIL PRICES FIRM

Crude oil prices have rallied above nine-month highs, due to weakness in the Dollar Index and increasing economic optimism from coronavirus vaccination in many economies. However, The upside in crude was contained by weakness in the US labour market and the worsening Covid pandemic.

- ▲ Meanwhile, the IEA cut its 2020 global crude demand forecast to 91.2 million bpd from 91.3 million bpd and cut its global 2021 crude demand forecast to 96.9 million bpd from 97.1 million bpd. The IEA also said that a global 625 million bbl crude oil glut would not be cleared until December 2021.
- ▲ The prospect for additional Iranian crude oil on the global market is likely to keep oil prices under pressure. Iranian Oil Minister, Zanganeh, has said that Iran "does not need permission" from fellow OPEC members to increase its oil production. President Hassan Rouhani recently said Iran is preparing to raise its oil production on speculation that the incoming Biden administration will ease sanctions against Iran early next year. According to JPMorgan Chase estimates, Iran could raise its crude exports by as much as 1.2 million bpd, if it strikes a new deal with the US.
- ▲ Rising production from Libya is also likely to keep oil under check. Libya is targeting production of 1.3 million bpd by the beginning of 2021. Libya's crude production has risen very sharply from 90,000 bpd in early September.

Outlook

- ▲ WTI Crude oil prices for January expiry contract is likely to find support near the 20-days EMA at \$45.70 per barrel, and the 50-days EMA at \$43.57 per barrel. Meanwhile, critical resistance is seen around \$49.06 per barrel, and \$50.00 per barrel.

LME COPPER PRICES NEAR 8YEAR HIGHS

- ▲ LME Copper contract breached the key \$8,000 per tonne mark yesterday to hit a near eight-year high, due to a drop in inventory and US stimulus hopes.
- ▲ Inventories in LME, ShFE and COMEX warehouses combined were hovering near their lowest since December 2014 at 281,648 tonnes. Copper inventory at LME alone has dropped nearly 33,975 mt in the last one month, which is 26% of the current stock at 127,725 mt, as on 17th Dec 2020.
- ▲ As per official data from the National Bureau of Statistics, China's refined copper output rose 19.6% year-on-year to a record monthly high of 909,000 tonnes in November, which was 4.7% higher than the previous peak in October.
- ▲ Meanwhile, US housing data is likely to support copper prices and other industrial metals. US housing data showed November housing starts rose +1.2% to a 9-month high of 1.547 million, stronger than expectations of +0.3% to 1.535 million. Also, November building permits rose +6.2% to a 14-year high of 1.639 million, stronger than expectations of +1.0% to 1.560 million

Outlook

- ▲ LME 3 month contract is likely to find support around the 10-days EMA at \$7,812 mt, and the 20-days EMA at \$7,644 per mt. Meanwhile, an immediate resistance level could be seen around \$8,182-\$8,284 per mt.

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