DAILY ANALYSIS REPORT

Monday, January 18, 2021

ABANS

Demand concerns and supply glut are likely to keep oil prices under pressure

Strength in the Dollar Index is likely to keep gold prices lower

Chinese economic data is supportive for copper prices

DEMAND CONCERNS AND SUPPLY GLUT ARE LIKELY TO KEEP OIL PRICES UNDER PRESSURE

- Crude oil prices are holding near $52.20, after selling, from the previous week's high of $53.93. Strength in the Dollar Index has pushed oil prices lower. Dollar Index prices are currently holding near 90.77, up 1.80%, from the recent low of 89.16. Also, demand concerns, due to fresh lockdowns in many countries, are likely to keep oil prices under pressure.
- According to the CFTC Commitments of Traders report for the week ended January 12, net long for crude oil futures gained +9,068 contracts, to 527,717, for the week. Speculative long positions rose +8,183 contracts, while shorts slipped -885 contracts.
- The U.S. oil rig count increased for eight consecutive weeks, as drillers capitalized on higher oil prices. The oil rig count has increased by 12, and has reached 287 rigs for the week ending January 15th.
- 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 that compliance among non-OPEC countries dropped -8%, in December, to 64%. Russia's Energy Ministry 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.
- Meanwhile, an EIA weekly inventory report showed that US crude oil inventories, as of January 8, were +8.9% above the seasonal 5-year average, and estimates for oil production in the United States stayed the same for the week ending January 8, at 11.0 million barrels of oil per day.

Outlook

- WTI Crude oil prices for the February expiry contract are likely to find support near the 10-days EMA at $51.82 per barrel, and the 20-days EMA at $50.57 per barrel. Meanwhile, critical resistance is seen around $54.26 per barrel, and $56.29 per barrel.

STRENGTH IN THE DOLLAR INDEX IS LIKELY TO KEEP GOLD PRICES LOWER

- Gold prices are under pressure, due to strength in the Dollar Index, which bounced back in the last three weeks.
- Also, doubts that Congress will pass President-elect Biden's $1.9 trillion stimulus plan, are also putting additional pressure on bullion. There is speculation that the Biden administration's $1.9 trillion pandemic relief package may not pass in its current form, and many believe that the final version of the stimulus may well be below the initial $1.9 trillion figure.
- However gold is likely to attract safe-haven demand, due to political uncertainty in Italy. Italian Prime Minister, Giuseppe Conte, will face a crunch parliamentary vote on his future this week, after a junior partner quit his coalition.
- 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 95 million, while the deaths have surged to more than 2.029 million, according to the Johns Hopkins University. Germany seeks to tighten and expand lockdown restrictions. France expanded a daily 12-hour curfew nationwide, starting Sunday. Italy's Health Minister has said on Friday that the government might need to return to a strict lockdown.

- U.S. economic data was mostly weaker than expected, which was supportive for gold prices. US December retail sales fell -0.7% m/m, and -1.4% m/m (ex-autos), much weaker than expectations of remaining unchanged in m/m, and -0.2% m/m (ex-autos). Also the January Empire Manufacturing Index unexpectedly fell -1.4, to a 7-month low of 3.5, much weaker than expectations of +1.1, to 6.0. In addition, the January University of Michigan, U.S. Consumer Sentiment Index, fell -1.5, to 79.2, weaker than expectations of -0.8, to 79.5. However a negative positive factor for gold was the +0.9% m/m increase in the U.S. December manufacturing production, which was stronger than expectations of +0.5% m/m. This supported the Dollar Index, as sign of economic recovery in the US.

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.

POSITIVE CHINESE GDP DATA SUPPORTED COPPER

- Chinese economic data is supportive for copper prices. China's economic recovery beat expectations in the fourth quarter, expanding 6.5% from a year earlier; it was against the market forecast of 6.1%. This recovery is followed by a 4.9% growth in the third quarter.
- However, the rally in copper is limited on doubts about President-elect Biden's $1.9 trillion pandemic stimulus package, and strength in the Dollar Index.
- Copper stock at SHFE has dropped nearly 42,094 mt in the last three months, and now stands at 25,505 mt, as on 15th January, 2021. Meanwhile, Copper stock at LME has dropped near 68,925 mt in the last three months, and now stands at 99,950 mt, as on 15th January, 2021.
- As per a report released last week, China imported record volumes of unwrought copper and copper products on an annual basis in 2020. Imports of unwrought copper and copper products, for the year, came in at 6.68 million tonnes. December imports, however, slumped for a third consecutive month to 512,332 tonnes, down 8.7% from 561,310.7 tonnes in November. Imports of copper concentrate were 1.89 million tonnes last month, up 3% from 1.831 million tonnes in November, but down from 1.928 million tonnes, a year earlier.

Outlook

- Copper prices are likely to trade firm, while remaining above the key support level of the 20-days EMA of $7,915 per mt, and the 50-days EMA of $7,637 per mt. Meanwhile, key resistance is seen near $8,145-$8,243 per mt.

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