

Base Metals are trading mixed after a rally in the past few days

- Base metals are trading sideways to lower today after a smart rally in the past few trading sessions on the back of trade optimism which was supported by the news of Trump indicating that he may extend the deadline for talks which was earlier fixed at 1st March
- Better-than-expected Chinese lending data on Friday along with policymakers trying to prevent a sharper economic slowdown has buoyed the base metals markets.
- Concerns that supply will be tight after a court ruling cast doubt on the future of a smelter in India and a large mine in Indonesia indicated that its export permit had expired are helping copper prices stay buoyant.

Outlook

- Global growth concern and increasing supplies are keeping rally limited however positive development in the US-China trade talks may push prices higher. As LME 3M Copper prices sustain above 6100, further rally could be seen towards 6320-6359.

Brent oil near three-month highs on OPEC supply cuts, China vehicle sales drops 15.8%

- Oil prices traded sideways after hitting highs for the year, Saudi Arabia's crude output fell by 0.450mln bpd month on month to 10.643 mln bpd according to the data compiled by Jodi Data
- Saudi Arabia reported to OPEC earlier this month that its January crude production dropped to 10.243 million b/d, as the kingdom slashed output ahead of a new production cut agreement that went into force January 1
- Saudi's energy minister al-Falih said in the previous week that his country's output would fall to 9.8 million b/d in March, below its quota under the latest deal of 10.311 million b/d. Exports will be cut to near 6.9 million b/d.
- Oil production from non-OPEC producers like Brazil, Mexico or the North Sea has also been struggling, further tightening the market.
- Energy prices continue to inch higher due to tight market conditions which are being helped by strong fundamentals and supply constraints and cuts along with Venezuela crisis. Positive trade talks have also been supportive for oil prices in the near term.

Outlook

- Brent oil has crossed critical resistance around \$63.74 per barrel and immediate upside is seen till \$67.00 and \$68.60, while it holds its key support of \$62.20 and \$60.80 Brent oil is expected to remain positive as OPEC production cut, Venezuela issues and Libya could keep the oil on the boil, US trade talks would also be watched closely for further clarity.

Indian rupee remains weak on oil rally and sells off in equities

- The rupee closed slightly strong against the dollar yesterday the sideways trend in the US Dollar
- Oil has traded sideways after hitting a three-month high on OPEC cuts, U.S. sanctions on Iran, Venezuela, though the trend remains positive some breather by oil may give the required strength to the Rupee against the dollar

FII and DII Data

- Foreign funds (FII's) sold shares worth Rs. 1239.793 crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs 2336.74 crore on February 18th
- In February 2019 FIIs net sold shares worth Rs. 143.79 crore, while DIIs were net buyers to the tune of Rs. 4756.49 crore.

Outlook

- FII's outflow from the Indian market from last 5 days has resulted in the weakness in the Indian rupee. Selling into equities and high crude prices are the key reason behind rupee weakness. USD-INR pair however could face minor resistance around 71.90-72.20.

China steel prices recover marginally after the decline on optimism over US-China trade talk

- Chinese steel and iron ore prices resumed uptrend as iron ore prices continued its bullish rally trading near record high for the third consecutive session amid concerns over supply disruptions
- Brazil's government on Monday banned new upstream mining dams and ordered decommissioning of all such dams by 2021, the government is targeting similar type of structures that burst last month in the town of Brumadinho, killing hundreds of people
- Chinese steel prices were also helped by trade talk hopes and Trump's comments of extending the dead line for talks

Outlook

- Steel rebar future on SHFE are likely to rise further supported by iron ore prices and optimism over US-China trade talks; the next level of resistance is seen around 3833-3920, a further rise looks likely in the coming sessions.

Gold continues to trade near the 10-Month high

- The US dollar Gold prices were trading near 10-month highs on Tuesday as optimism around U.S.-China trade discussions dimmed dollar demand
- US-China Trade talk deadline to be extended - U.S. President Donald Trump repeated on Friday that he may extend a March 1st deadline for a deal and keep tariffs on Chinese goods from rising
- A new round of talks between Beijing and the United States to resolve their trade spat will take place in Washington later in the day, with follow-up sessions at a higher level in the course of the week, progress in talks would mean that the dollar index could weaken further thus helping gold remain resilient
- Brexit- uncertainty continues, Theresa May has written to MPs, urging them to unite behind a Brexit deal while warning them "history will judge us all" over the process. Efforts will resume on Monday to persuade the EU to agree with changes to the "backstop" plan to prevent the return of customs checks on the Irish border. May has only nine days left to save the deal

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.

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