
Crude oil prices are firm on stimulus hopes and optimism over a vaccine
Zinc prices likely to remain firm on supply issues
Gold prices under pressure due to strength in the Dollar

CRUDE OIL PRICES ARE FIRM ON STIMULUS HOPES AND OPTIMISM OVER A VACCINE

- ▲ Crude oil prices are trading firm on optimism over a coronavirus vaccine, and a crude inventory report, which was below market expectations. WTI Crude oil prices are currently trading in the green from the previous day, near \$42 per barrel.
- ▲ As per the weekly inventory report from EIA for the week ended November 13, US commercial crude inventories rose 770,000 barrels to 489.48 million barrels, and were now 6.4% above the five-year average. US gasoline inventories rose 2.61 million barrels, while distillate inventories dropped by 5.22 million barrels.
- ▲ Crude oil also received support from the OPEC+ technical meeting on Tuesday. Members have not made any formal recommendations, ahead of the Group's full ministerial meeting on November 30 and December 1, to discuss the policy. As per a Reuters report, OPEC+ members are leaning towards delaying a previously agreed plan to boost output in the new year by 2 million barrels per day (bpd), or 2% of global demand.
- ▲ Crude oil prices are capped due to the worsening pandemic globally, which is forcing governments and countries to impose restrictions. It is likely to curb economic growth, and is bearish for crude oil demand and prices. The U.S. has reported at least 100,000 new daily Covid infections for thirteen consecutive days, through Monday. German Chancellor, Merkel, warned on Tuesday that the Covid situation in Germany remains "very serious." Nearly 55.508 million persons globally are infected by covid.
- ▲ Ramped-up crude oil output in Libya is a negative factor for oil prices. Libya's NOC said that Libya is targeting a 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 are likely to find stiff resistance near \$43.77-46.02 per barrel, while key support levels are found near \$37.18-34.22 per barrel. The short-term trend is likely to remain firm, on the back of vaccine optimism, and OPEC+ talks of keeping oil production static.

ZINC PRICES LIKELY TO REMAIN FIRM ON SUPPLY ISSUES

- ▲ Zinc prices are trading near 18-months high, as a mine shutdown in South Africa is likely to keep prices firm. Vedanta Zinc International suspended mining at its Gamsberg zinc mine in South Africa, after a geotechnical failure trapped 10 employees. The mine produces 250,000mt of zinc a year at full output.
- ▲ Meanwhile, Zinc inventories in LME-registered warehouses have climbed by 168,075 mt, to around 220,300 mt (as on November 18) in the last one year, which is nearly 76% of the total current inventory. Meanwhile, inventory in Shanghai Futures Exchange warehouses have trended lower in recent months and sat around 60,000 mt.
- ▲ According to a latest report by the International Lead and Zinc Study Group (ILZSG), zinc demand is expected to contract by 5.3%, and lead demand by 6.5% this year, however, zinc mine production is seen sliding by 4.4%, and lead by 4.7%, due to lockdowns in key producer

countries, such as Peru, Bolivia, and Mexico. As per the ILZSG report in October, global refined zinc production is expected to grow by just 0.9% this year, down from a forecast of a 3.7% growth.

Outlook

- ▲ Zinc prices are likely to trade firm on the back of supply disruptions. Zinc may trade firm towards \$2,779-\$2,963 per mt in the near term, while remaining above the key support level of the 20-days EMA of \$2,615 per mt, and the 50-days EMA of \$2,420 per mt.

GOLD PRICES UNDER PRESSURE DUE TO STRENGTH IN THE DOLLAR

- ▲ Gold prices are trading lower, due to strength in the Dollar Index. Gold is currently trading at \$1,859 per ounce, with a negative trend from the last four trading sessions.
- ▲ Gold is likely to receive support, after U.S. President-elect, Joe Biden, expressed hope on Wednesday that Republicans in the Congress would be more inclined to move forward on COVID-19 relief legislation, after President Donald Trump leaves office in January.
- ▲ Gold is likely to find support from dovish central banks comments. Atlanta Fed President, Bostic, has said that the slowing in U.S. October retail sales might be a sign of a setback in the economy, as the Covid pandemic spreads through the U.S. this winter. Also, the ECB Governing Council member, Visco, has said, "withdrawing stimulus too early and failure to act timely, if needed, could jeopardize the recovery."
- ▲ On the economic data front, U.S. October retail sales rose +0.3% m/m, and +0.2% ex-autos m/m, which was weaker than expectations of +0.5% m/m, and +0.6% m/m ex-autos. Conversely, the November NAHB Housing Market Index unexpectedly rose +5, to a record of 90 (data from 1985), which was stronger than expectations of remaining unchanged at 85.

Outlook

- ▲ Gold prices are likely to find support around \$1,844 and \$1,815 (200-days EMA). Meanwhile, a critical resistance is seen near \$1,931-\$2,007 levels. Expansionary monetary policies and stimulus hopes are likely to provide support to gold prices in the near term.

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