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- Copper prices are now trading at \$9343 per metric tonne, following a significant drop due to the rapid spread of the Omicron coronavirus strain, which has stoked fears about its impact on economic activity. The expansion of Omicron has increased the chances of more lockdowns, affecting demand and production operations. On Sunday, the Netherlands went into lockdown, while several other European nations pondered extra measures to combat the highly dangerous variant's spread.
- Strength in US dollar index is also keeping commodities prices lower, US dollar index is now trading near 96.58 which is marginally lower from recent top of 96.94 registered on November 24 while it is still sharply higher from low of 89.53 registered in May 2021.
- On the inventory front, according to SHFE weekly inventory statistics released on Friday, copper stock has declined by 2925 metric tonnes in one week to 44786 metric tonnes. As of Friday, Comex inventory stood at 54219 metric tonnes, up 1483 metric tonnes over the previous week. As of Friday, LME warehouse stock stood at 89150 metric tonnes, up 7375 metric tonnes from the previous week. Inventory data shows that supply in the LME and Comex is easing, which will likely keep prices under pressure.
- Copper prices are influenced by central bank policy shifts, which have become more hawkish as inflation has risen. A decrease in market liquidity is regarded as a negative for commodity prices. Beginning in March, the US Federal Reserve said that it would halt its pandemic-era asset purchases, paving the way for three quarter-point interest rate rises by the end of 2022. The United Kingdom was the first of the G7 economies to hike interest rates from 0.1 percent to 0.25 percent. Finally, the ECB stated that it will continue to reduce bond purchases under its 1.85 trillion euro Pandemic Emergency Purchase Program next quarter, and that the programme will be phased out in March as planned. On Friday, however, the Bank of Japan maintained its ultra-loose monetary policy while reducing emergency pandemic funding.
- On Monday, China's central bank cuts a benchmark rate for the first time since the pandemic. The People's Bank of China lowered the one-year loan prime rate to 3.8%, down from 3.85%.
- On economy front, The German Bundes bank cut its German 2021 GDP forecast to 2.5% from 3.7%. The German Dec IFO business climate index fell -1.9 to a 10-month low of 94.7, weaker than expectations of 95.3. Also, Eurozone Nov new car registrations fell -20.5% y/y to 713, 346, the fifth consecutive monthly decline.

Outlook

- Prices of LME Copper 3M are anticipated to be under pressure as long as they are below \$9551-\$9665; however, they are likely to find immediate support around \$9165-9051.

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