
Gold is likely to trade firm after Yellen's comments

Crude oil trades positive on positive economic outlook for energy demand

Production and inventory is likely to keep Aluminium prices under pressure

GOLD IS LIKELY TO TRADE FIRM AFTER YELLEN'S COMMENTS

- ▲ Gold settled moderately higher in the last session, and continued with its positive move today. Gold prices are trading firm, due to weakness in the US Dollar Index, and comments from Treasury Secretary Nominee, Janet Yellen, also supported the prices. She has said that "further action is needed to avoid recession" and that "acting big" on stimulus is the smartest thing to do. She favours much of President-elect Biden's \$1.9 trillion pandemic relief package.
- ▲ Comments from incoming US National Economic Council Director, Deese, are also supporting gold prices. He has said that the U.S. economy is "spiraling downward" with 140,000 jobs lost last month, retail sales in December falling for the third month, and the latest jobless claims rising to a 5-month high.
- ▲ Comments from ECB Governing Council Member, and Bank of France Governor, Villeroy de Galhau, are also supportive for precious metals. He said, "Economic uncertainties remain high and call for the extension of fiscal support measures and accommodative monetary policy."
- ▲ Meanwhile on the economic data front, January German ZEW survey expectations of economic growth index rose +6.8, to a 4-month high of 61.8, stronger than expectations of +4.4, to 59.4. Also, Eurozone November construction output rose +1.4% m/m, the biggest increase in 3 months. This data is negative for gold prices.
- ▲ 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 96.12 million, while the deaths have surged to more than 2.054 million, according to the Johns Hopkins University.

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 \$1,869.

CRUDE OIL TRADES POSITIVE ON POSITIVE ECONOMIC OUTLOOK FOR ENERGY DEMAND

- ▲ WTI Crude oil March expiry contract prices are currently trading positive near \$53.44, and this move is supported by weakness in the US Dollar Index, and increasing optimism about the US economy, after Treasury Secretary Nominee, Yellen's comments.
- ▲ A drop in Libyan crude oil production is also providing support to oil prices. Libya's state-owned National Oil Corp. reported that Libya's oil production has fallen by about -200,000 bpd, to 1 million bpd, after the closure of several leaking pipelines.
- ▲ However, the rally is likely to find resistance, as the International Energy Agency (IEA) lowered its forecasts for global oil demand. As per the IEA report, global oil demand is expected to recover by 5.5 million barrels per day (mbd) to 96.6 mbd in 2021, following an unprecedented collapse of

8.8 mbd in 2020. The IEA cut its global crude demand forecast by -280,000 bpd for the entire 2021.

- 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 compliance with OPEC+ crude output cuts fell to 93% in December, from 96%, in November.
- The EIA will release its weekly inventory report on Friday. Last Wednesday's weekly EIA data showed that U.S. crude oil inventories, as of January 8, were +8.9% above the seasonal 5-year average. U.S. crude oil production in the week ended January 8, was unchanged w/w at 11.0 million bpd, and down by -2.1 million bpd (-16.0%) from February's record-high of 13.1 million bpd.

Outlook

- WTI Crude oil prices for the March expiry contract are likely to find support near the 20-days EMA at \$51.05 per barrel. Meanwhile, critical resistance is seen around \$54.85 per barrel, and \$56.13 per barrel.

PRODUCTION AND INVENTORY ARE LIKELY TO KEEP ALUMINIUM PRICES UNDER PRESSURE

- Aluminium prices are trading near \$1,975 per mt, slightly lower from the recent high of \$2,094 (registered on 17th December, 2020). Prices are currently trading near the two month lows, on the back of increasing production and climbing inventories.
- Aluminium inventories at LME registered warehouses have increased nearly 116,600 mt in the last one week to 14,14,675 mt, as on 19th January, 2021; meanwhile, inventories at SHFE registered warehouses has increased near 15,129 mt, in the last one week, to 89,482 mt. At both the exchanges, it is 8.8% of the current stock altogether.
- Meanwhile China's aluminium production in 2020 rose 4.9% from the previous year, to a record 37.08 million tonnes, as smelters cashed in on soaring prices, with the December output hitting a record monthly high.

Outlook

- LME Aluminium is likely to remain under pressure, and it may find stiff resistance around \$2,043 per mt, while key support levels could be seen around the \$1,907 level.

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