
US Crude oil production touched 12 million bpd

Gold drops from 10 month high over recovery in US dollar after Bullard's comments

Copper corrects marginally from 7 month high on profit booking

Indian rupee trading range of 70.96-71.58 this week, eyes on oil and dollar index

Steel prices recover marginally, still demand outlook not clear

US CRUDE OIL PRODUCTION TOUCHED 12 MILLION BPD

- Oil prices fell after the EIA report on United States crude output. Crude oil production hit a record 12 million barrels per day (bpd). This means that U.S. crude output has soared by almost 2.5 million bpd since the start of 2018, and by a whopping 5 million bpd since 2013.
- According to EIA weekly inventory report, U.S. commercial crude oil inventories rose by 3.7 million barrels to 454.5 million barrels in the week ended Feb. 15.
- Crude oil rallied last week after U.S. sanctions against oil exporter Venezuela after Iran. OPEC and some non-affiliated producers such as Russia agreed late last year to cut output by 1.2 million bpd to prevent a large supply overhang from growing.

Outlook

- Brent oil is in range after hitting the high of 67.38, marginal correction is seen due to rise in US oil production levels but counter is still receiving support from OPEC+ production cuts. We expect Brent oil to remain positive as OPEC production cut, Venezuela issues and Libya could keep oil on the boil, US trade talks with China would also be watched closely for further clarity on demand growth.

GOLD DROPS FROM 10 MONTH HIGH OVER RECOVERY IN US DOLLAR AFTER BULLARD'S COMMENTS

- Gold sell off continued today as it is pressured by signals that the U.S. Federal Reserve will not adopt as dovish a stance on monetary policy as previously thought and investors booked profits. US Federal Reserve said that the U.S. economy and labor market remained strong, prompting some expectations of at least one more rate hike this year.
- Fed President James Bullard tells media that he thinks interest rate hikes and the reduction of bond holdings is near an end.
- Gold is also under pressure as the U.S. and China have started to outline commitments in principle on the stickiest issues in their trade dispute. Gold may remain negative if US-China trade talk goes smoothly.

Outlook

- Gold slipped pressured by fed comments that it will not adopt as dovish a stance on monetary policy as previously thought, Comex gold may find immediate support around \$1322 per ounce, on break below this level, further decline is possible till \$1305 per ounce meanwhile critical resistance is seen around \$1340-\$1349.80 per ounce.

COPPER CORRECTS MARGINALLY FROM 7 MONTH HIGH ON PROFIT BOOKING

- Copper prices slipped from seven-month highs as the dollar firmed and investors booked profit from rally this week.
- The dollar gained strength after minutes from a U.S Federal Reserve meeting. Fed raised expectations for a possible U.S. interest rate hike this year.

Mining

- ▲ CHILE: Intense rains at the start of this month in Chile, the world's top copper miner, likely hurt productivity at state-owned miner Codelco's Chuquibambilla and Radomiro Tomic mines.
- ▲ Glencore mine on Tuesday lowered its 2019 copper output forecast to 1.5 million tonnes from 1.54 million due to production cuts at its Mutanda mine in the Democratic Republic of Congo.
- ▲ US-China talks- Both countries have started to outline commitments in principle on trade dispute. Signs of progress in trade talks usually will boost metals and equities.

Outlook

- ▲ Decreasing mine production and drying up inventories are keeping copper prices higher, Copper drops on profit booking from recent high of 6426, may find minor support around 6285 and important support near 6230. Short term trend remains positive above 6230 support level while immediate resistance is seen near 6426-6544.

INDIAN RUPEE TRADING RANGE OF 70.96-71.58 THIS WEEK, EYES ON OIL AND DOLLAR INDEX

- ▲ The rupee skidded marginally but holds tight range of 70.96-71.58 this week against the US dollar as rising oil prices and a strengthening US dollar on the market sentiment.
- ▲ Oil prices drops after US EIA's weekly report. The United States exported a record amount of crude oil last week, as output from the nation's shale fields continues to surge. Though the trend remains positive some breather by oil may give required strength to the Rupee against the dollar

FII and DII Data

- ▲ Foreign funds (FII's) bought shares worth Rs. 55.48 crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs 202.10 crore on February 21st
- ▲ In February 2019 FIIs net sold shares worth Rs. 188.60 crore, while DII's were net buyers to the tune of Rs. 6235.71 crore.

Outlook

- ▲ Indian rupee holding tight range from last one week as FII's improved but rising crude oil prices still poses a threat. We can expect more recovery in rupee if USD-INR pair breaks support level around 70.96. USD-INR may decline till 70.40-69.80 if it breaks 70.96.

STEEL PRICES RECOVER marginally, STILL DEMAND OUTLOOK NOT CLEAR

- ▲ Steel price continues to remain weak on poor demand; mills will delay restocking until steel sales pick up
- ▲ Global mining giant BHP Group projected China's infrastructure to rebound in 2019, while its property market will be resilient and the automobile market will improve after a really weak 2018
- ▲ China's top steelmaking province Hebei issued an orange pollution alert last week, effective from Feb. 17 that could last until around Feb.22. Orange alerts require industrial companies to cut output by at least 30 percent.
- ▲ Chinese steel prices may receive support by positive trade talks and Trump's comments of extending the dead line for talks

Outlook

- ▲ Steel rebar future on SHFE are likely to rise, supported by iron ore prices and optimism over US-China trade talks as construction demand picks up this week; the next level of resistance is seen around 3833-3920.

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