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Positive Trend remains intact in Copper  
US Production hurdle is likely to keep oil prices firm  
Gold prices bounced back on dollar weakness

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## POSITIVE TREND REMAINS INTACT IN COPPER

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- ▲ LME 3M Copper prices are currently trading near \$9,050 and the positive trend is likely to remain intact on the backdrop of global recovery into manufacturing activity, physical demand from China and a low level of warehouse inventory at LME.
- ▲ Strength in global manufacturing activity is positive for industrial metals demand and copper prices. The Eurozone Feb Markit manufacturing PMI unexpectedly rose +2.9 to a 3-year high of 57.7, stronger than expectations of -0.5 to 54.3. Also, the UK Feb Markit manufacturing PMI unexpectedly rose +0.8 to 54.9, stronger than expectations of -1.0 to 53.1. Besides, the Japan Feb Jibun Bank manufacturing PMI rose +0.8 to 50.6, the strongest pace of expansion in 2 years.
- ▲ On the economic data front, Friday's U.S. economic data was mixed for metals. US Jan existing home sales was the unexpected +0.6% m/m increase to 6.69 million, stronger than expectations of a decline to 6.60 million, U.S. Feb Markit manufacturing PMI was the -0.7 point decline to 58.5, weaker than expectations of -0.4 to 58.8.
- ▲ Copper inventory on LME warehouse has dropped nearly by 90,725 mt in last one year now stand at 75,700 mt as on 19th Feb 2021, Also inventory at SHFE warehouse have dropped nearly 119,080 mt in last one year and now stand at 740,137 mt as on 19th Feb 2021 which is indicative of strong physical demand in leading consumer China.
- ▲ On a positive note, most of China's provinces and regions have set their targets above 6 per cent this year, signalling confidence to achieve further economic rebound from the coronavirus. China's GDP growth should surge, particularly in the first half of the year, as China's manufacturing can still benefit from rising overseas demand.
- ▲ Meanwhile, China kept the benchmark lending rate unchanged. China's benchmark lending rate is set to stay unchanged for the 10th straight month. The one-year LPR was last at 3.85%, and the five-year rate stood at 4.65%.

### Outlook

- ▲ LME 3M Copper prices are likely to trade firm while above key support level around \$8,830-\$8,665 while key resistance level is seen near \$9,269-\$9,545

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## US PRODUCTION HURDLE IS LIKELY TO KEEP OIL PRICES FIRM

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- ▲ WTI Crude oil prices are currently trading near \$59.70, which bounced Thursdays low as US production has not resumed from frigid weather conditions. Abnormally cold weather in Texas and the Plains states forced the shutdown of up to 4 million barrels per day (BPD) of crude production in the US and Oilfield crews may take several days to de-ice valves, restart systems and begin oil and gas output.
- ▲ According to the CFTC Commitments of Traders report for the week ended February 16, crude

futures net long increased by 455 contracts to 514,713. Speculative long position increased by 2,253 contracts, while shorts added 1,798 contracts.

- ▲ Baker Hughes reported on Friday that U.S. oil rigs fell by one to 305 this week. The decline in the oil rig count follows 12 weeks of gains, which was the longest streak of increases since June 2017.
- ▲ However, Iran oil production and export possibility is likely to keep a cap on oil prices. The Biden administration, late Thursday, said that it would be willing to meet with Iran to discuss a "diplomatic way forward" in efforts to return to the nuclear deal that the U.S. quit in 2018. Iranian Foreign Minister Mohammed Javad Zarif said today that the U.S. must first end sanctions against his country before it returns to negotiations.
- ▲ Also, Bloomberg data that showed crude exports from Iraq increased in Feb. As per oil export data from Feb 1-15 were 3.44 million bbl, up +4.4% from Jan. Iraq exports have increased despite it pledged last month to curtail its crude production.
- ▲ US gasoline demand fell -0.4% w/w to 8.29 million BPD in the week ending Feb 12, the third consecutive weekly decline which is likely to keep oil prices under check.

## Outlook

- ▲ Crude oil prices are likely to trade firm while above 20 days EMA at 57.98 and 50 days EMA at \$53.85, key resistance levels are seen near \$60.25-\$60.78

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## Gold prices bounced back on dollar weakness

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- ▲ Gold prices rallied from a 7-month low on the support from a weakness into the dollar index. US Stimulus expectation has also provided support to the gold prices.
- ▲ US COVID-19 stimulus of the \$1.9 trillion is expected to pass by the end of the week and is likely to support precious metals.
- ▲ However gold may find fresh direction from Federal Reserve Chairman Jerome Powell's testimony on the Semiannual Monetary Report to Congress starting Tuesday.
- ▲ According to the CFTC Commitments of Traders report for the week ended February 16, gold futures net long slumped by 16,438 contracts to 234,969. Speculative long position dropped by 5,743 contracts, while shorts added 10,695 contracts.
- ▲ The recent Bond yield rally is likely to keep precious metals prices under check. The 10-year T-note climbed to an 11-3/4 month high Friday of 1.360%. The 10-year UK gilt yield rose to an 11-month high Friday of 0.707%, and the 10-year German bund yield rose to an 8-1/4 month high of -0.305%.

## Outlook

- ▲ Gold prices are likely to trade firm while above key support levels around \$1,783-\$1,776. It may face stiff resistance around 20 days EMA at \$1,813 and \$1,837.

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