DAILY ANALYSIS REPORT

Tuesday, March 23, 2021

ABANS

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Gold prices are likely to trade negative

RENEWED EUROPEAN PANDEMIC SITUATION TO KEEP OIL PRICES UNDER PRESSURE

- Concerns about new pandemic curbs and slow vaccine rollouts in Europe are likely to keep oil prices under pressure. The threat of a third wave of infections in Germany has forced to extend lockdown till April 18.
- Meanwhile global economic data were also negative for energy demand. The US existing home sales and the Chicago Fed national activity index unexpectedly fell last month.
- Weak crude demand from India is also negative for oil prices. Recent data from India's oil ministry showed India Feb crude imports dropped -18.3% y/y to 15.2 MMT, the lowest in 6 months.
- Oil market to get fresh direction from oil inventory report from API and EIA on Wednesday. Last Wednesday's weekly EIA data showed that U.S. crude oil inventories as of March 12 were +6.7% above the seasonal 5-year average gasoline inventories were -4.8% below the 5-year average, and distillate inventories were -2.3% below the 5-year average. Also, US crude oil production in the week ended March 12 was unchanged w/w at 10.9 million BPD and is down by -2.2 million BPD (-16.8%) from the Feb-2020 record-high of 13.1 million BPD.
- Baker Hughes reported last Friday that active U.S. oil rigs fell rose by +9 rigs in the week ended March 19 to a 10-1/2 month high of 318 rigs, well above August's 15-year low of 172 rigs.
- According to the CFTC Commitments of Traders report for the week ended March 16, net long for crude oil futures dropped by 11996 contracts to 525442 for the week. Speculative long position plunged by 12000 contracts, while shorts were down by 4 contracts.

Outlook

- WTI Crude oil future contract is likely to trade negatively while below the key resistance level of $62.20-63.68 while it may find a strong support base around 50 days EMA at $59.06 and 100 days EMA at $54.51

GOLD PRICES ARE LIKELY TO TRADE NEGATIVE

- The Fed comment that played down inflation risks and ignores the recent rise in US bond yields has put gold prices under pressure. Richmond Fed President Barkin said the U.S. economy is set for a strong 2021 that will push up prices, but that there is no sign yet that this will deliver inflation.
- Also, ECB Governing Council member Knot said that the ECB could reduce the pace of bond-buying this summer if the economy proceeds as expected. He also said the ECB might be able to start discussions on how to unwind stimulus later this year if countries make sufficient progress on Covid vaccinations. Both comments were negative for gold prices.
- However gold prices found support from a new level of covid spread in European countries and negative global economic data. Germany on Monday extended its Covid lockdowns for a month

through April 18 as it struggles to contain the pandemic. The U.S. Feb Chicago Fed national activity index unexpectedly fell -1.84 to a 10-month low of -1.09, against expectations for an increase to 0.72. Also, Feb existing home sales fell -6.6% to a 6-month low of 6.22 million, against expectations of 6.49 million.

- Additionally, gold prices found some support after bond yields retrace back some gains. The 10-year US T-note yield dropped by -3.7 bp to 1.684% on Monday, which is moderately below last Thursday's 13-month high of 1.753%.
- According to the CFTC Commitments of Traders report for the week ended March 16, net long for gold futures increased by 5033 contracts to180196 for the week. Speculative long position increased by 1398 contracts, while shorts were down 3635 contracts.

Outlook

- Gold prices are likely to face stiff resistance near $1757 and $1768 while it may find a strong support base around $1716 and $1684

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