
WTI Crude oil prices rallied on optimism of a Covid vaccine
Gold is likely to find support near the 200-days moving average
Positive PMI data supported copper prices

WTI CRUDE OIL PRICES RALLIED ON OPTIMISM OF A COVID VACCINE

- ▲ WTI Crude oil prices rallied on optimism of a Covid vaccine and recent PMI data showing strength in U.S. and European manufacturing activity. Optimism over a Covid vaccine is supportive of economic growth, and will enhance fuel demand in the near future.
- ▲ Geopolitical tensions in the Middle East are likely to support crude oil prices. The Houthi rebels launched a missile attack on a Saudi Aramco petrol distribution facility in Jeddah.
- ▲ OPEC+ is likely to delay a scheduled crude supply increase by 3-6 months. However, United Arab Emirates (UAE) Energy Minister, Suhail Al-Mazrouei, said on last Thursday that everyone must first be convinced of the need to delay the production increase. OPEC+ is currently scheduled to restore in January, about 2 million of the 7.7 million bpd kept offline, and will meet between November 30 - December 1 to decide.
- ▲ However, the worsening pandemic is likely to keep a lid on the rally in prices. The U.S. has reported more than 100,000 new daily Covid infections for nineteen consecutive days; Germany is also proposing an extension for a month of its current partial lockdown. The Covid virus has infected 59.121 million persons globally, with deaths exceeding 1.396 million.
- ▲ Crude oil prices are likely to face stiff resistance, as gasoline demand is dropping in the US. Descartes Labs showed that U.S. gasoline consumption has dropped nearly 1% in the week ended November 20, to 8.39 million bpd, which is a 5-1/2 month low, and the sixth consecutive week, in which gasoline demand has fallen.
- ▲ Ramped-up crude oil output in Libya is a negative factor for oil prices. Libya's NOC said that Libya is targeting production of 1.3 million bpd by the beginning of 2021. Libya's crude production has risen very sharply from 90,000 bpd in early September.

Outlook

- ▲ WTI crude oil prices are likely to find stiff resistance near \$43.77-46.02 per barrel, while key support levels are seen near \$37.18-34.22 per barrel. The short-term trend is likely to remain firm, on the back of geopolitical tensions in the Middle East, vaccine optimism, and OPEC+ talks of keeping oil production static. However, the rally is likely to be capped, due to increasing production in Libya, reduction in demand in the US, and the rising number of Covid cases globally.

GOLD IS LIKELY TO FIND SUPPORT NEAR THE 200-DAYS MOVING AVERAGE

- ▲ Gold dropped to a four-month low, as progress on a COVID-19 vaccine, and a federal agency's approval of U.S. President-elect, Joe Biden's transition to the White House have increased the risk appetite for other assets classes, and the safe-haven demand has reduced for gold. Strength in the Dollar Index also pushed gold prices lower.
- ▲ US President-elect, Joe Biden, on Monday, was formally given the go-ahead by a federal agency to begin his transition to the White House. Gold is likely to find support from the news of appointment of former Federal Reserve Chair, Janet Yellen, as the U.S. Treasury Secretary, which would likely boost the prospects of further fiscal and monetary stimulus.

- ▲ U.S. stock indices on Monday pushed higher, on signs of progress on a Covid vaccine. U.S. Covid vaccinations would "hopefully" start in less than three weeks. The U.S. Food and Drug Administration (FDA) is scheduled to meet on December 10, to discuss emergency use authorizations for the Pfizer and Moderna Covid vaccines.
- ▲ On the economic data front, the U.S. November Markit Manufacturing PMI unexpectedly rose +3.3 to 56.7, stronger than expectations of -0.4, to 53.0 and the fastest pace of expansion in six years. Also, the Eurozone November Markit Manufacturing PMI fell -1.2 to 53.6, stronger than expectations of 53.2.

Outlook

- ▲ Gold prices are likely to find support around \$1,816 per ounce (200-days EMA) and \$1,769 per ounce. Meanwhile, critical resistance is seen near the 20-days EMA at \$1,875 per ounce.

POSITIVE PMI DATA SUPPORTED COPPER PRICES

- ▲ Three-month copper prices on the LME are trading firm near \$7,305. Copper received support from positive manufacturing PMI data from the US, and optimism over a covid vaccine have also boosted the sentiments.
- ▲ AstraZeneca said on Monday that its COVID-19 vaccine was 70% effective in pivotal trials, and could be up to 90% effective. This is the third vaccine-related development in the last two weeks. By this effort, vaccines can be cheaper to make, easier to distribute, and faster to scale-up than rivals.
- ▲ US manufacturing in November saw the quickest pick-up since September 2014, which is supportive for base metals demand.
- ▲ Chile's copper production will likely edge up 0.6%, to 5.82 million tonnes in 2020, and climb up to 5.99 million tonnes in 2021, state copper commission, Cochilco, has said.
- ▲ Copper prices are also trading firm as one of the worker unions at Candelaria copper mine in Chile has reportedly rejected Canadian firm Lundin Mining's new contract offer on 17th November. The 'Candelaria Union' rejected the offer 'by a vote of 366 to 159'. Due to the current labour action, Lundin withdrew this year's production guidance of 145,000mt - 155,000mt of copper (Cu) and 80,000 oz-90,000 oz of gold (Au).
- ▲ Copper inventory at LME monitored warehouses have dropped by -1,275 mt, as on November 23. LME inventory now stand at 156,075 mt, which has dropped by -62,850 mt, in the last one year, but has increased by nearly 52,600 mt in the last three months, as on November 23.

Outlook

- ▲ LME 3 month contract is likely to find support around the 20-days EMA at \$7,008, and the 50-days EMA at \$6,849 per mt. Meanwhile an immediate resistance level could be seen around \$7,345-7,404 per mt.

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