

## Strength in the dollar and Equities keeping gold move limited

- A firmer dollar is turning negative for commodities, as a strong dollar makes them expensive in other currencies.
- US Jobless data: American labor market is fairly robust despite increasing economic uncertainty, the dollar strengthened post the release of jobless data.
- The continuing partial shutdown of the U.S. government along with trade wars headwinds are likely to support gold
- China-US Talks- Chinese Vice President Wang Qishan took aim at the U.S. in pointed comments at the World Economic Forum in Davos, Wang said China still has "enormous market potential" despite its recent worse-than-anticipated slowdown.
- ECB- the European Central Bank chief said economic growth was likely to be weaker than expected. The Euro touched its lowest point against the dollar in six weeks after ECB President Mario Draghi left interest rates unchanged, gold traders usually follow Euro moves to predict the gold trend.
- Brexit plan 'B' – After May sets out her plans for the way ahead, lawmakers are set to table a series of amendments, that is to be voted upon on January 29. Uncertainty in EU and Britain is one of the principal reasons behind the gold recovery in recent weeks.
- Fed meeting on January 29<sup>th</sup>-30<sup>th</sup> - The Federal Reserve already sent a clear signal that it won't be moving quickly to raise interest rates in 2019, low rates are helping gold.

### Outlook

- Gold is facing stiff resistance near \$1300 while key support remains in the 1283-1265 range. US Shutdown and Brexit speculation have escalated geopolitical risks and safe haven appeal is likely to push gold prices higher from current levels, the focus is towards fed meeting next week.

## Copper recovers marginally after US-China talks hope re-emerge, miners forecast lower output

- Copper is stuck in the 5900-6000 range and break out on either side may give fresh direction.
- Mining news -
  - Freeport McMoRan Inc, the world's second-largest copper miner forecast a drop in 2019 production.
  - Anglo American said its copper output has reached a five-year high and its overall output for the last quarter of 2018 had risen 7 percent following operational changes that boosted efficiency.
- ICSG Report-The global world refined copper market showed a 15,000-tonne deficit in October, compared with a 161,000-tonne deficit in September.
- JAPAN PMI: Japanese manufacturing had slowed in January, the Markit/JMMA flash purchasing managers' index fell to 50.0 from December's 52.6. The survey found that key output and new orders contracted while exports slumped further, mostly due to slowing demand in China. Negative PMI data may weigh on copper demand from both China and Japan.

### Outlook

- LME Copper is stuck in the 5900-6000 range and breakout on either side is likely to give further direction to the market. Increasing inventory at LME is indicating further weakness in the counter along with poor economic growth forecast.

## Oil prices zoomed up as the US warns of sanctions on Venezuela

- Oil prices rose by more than one percent on Friday as turmoil in Venezuela triggered concerns that its oil exports could soon be disrupted.
- Geopolitical tension - Venezuela's opposition leader Juan Guaido declared himself as the interim president earlier this week, winning backing from Washington and large parts of Latin America, prompting Nicolas Maduro, the country's leader since 2013, to break relations with the United States.

- US Crude inventory and Production
  - Crude production rose by more than 2 million barrels per day (bpd) last year to a record 11.9 million bpd. EIA expects U.S. production to grow by 1.7 million bpd, with the rise slowing down further in 2020 to 1.2 million bpd.
  - EIA Report - U.S. crude oil inventories went up by 8 million barrels in the week to January 18, at 445 million barrels, these were about 9 percent above seasonal limits. EIA reported a build of 4.1 million barrels for gasoline and a decline of 600,000 barrels for distillate fuel.
  - The American Petroleum Institute (API) reported a large crude oil inventory build of 6.55 million barrels for the week ending Jan 18, compared to expectations of the small draw of 42,000 barrels.

#### Outlook

- Brent oil formed a short-term bottom near \$50 a barrel, crude is likely to face stiff resistance around \$63.73, while key support remains near 58.74-56.50, the trend is looking sideways as OPEC production cut is pushing prices higher but global growth concern and US inventory build-up is pressurizing oil.

### Higher oil prices and FII outflow may keep Indian rupee under pressure

- Indian rupee is trading weak following FII outflow in January along with rising crude oil prices and a strong dollar on export demand.
- Minister Piyush Goyal will present an interim budget on February 1<sup>st</sup> which is expected to be populist ahead of the general election due for May 2019
- Oil prices are expected to remain higher on OPEC production cut and drop in US oil rig count

#### FII and DII Data

- Foreign funds (FII's) sold shares worth Rs. 94 crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs 389.9 crore on January 24<sup>th</sup>
- In January 2019 FIIs net sold shares worth Rs. 3567.35 crore, while DII's were net buyers to the tune of Rs. 3252.69 crore.

#### Outlook

- FII's selling and rising oil prices continue to support positive move in USD-INR pair, the key resistance level is broken near 70.80; next level is seen near 72.60 while important support remains near 70.40-69.90.

### Preholiday restocking in sending China steel rebars prices to 12 weeks high

- Rebar inventories are projected to increase by 11.9% according to a private consultancy firm, indicating a restocking demand in local markets. China market may remain closed from February 2<sup>nd</sup> -10<sup>th</sup> on account of Chinese new year and spring festival.
- Pollution Control
  - The ministry of Ecology and Environment said at a news briefing on Monday that the country will impose even tougher ultra-low emission standards at steel mills in 2019.
  - The environment ministry also plans to extend emission limits to take in the Yangtze River Delta near Shanghai and the coal-rich Fenwei plain, adding to the Beijing-Tianjin-Hebei area and nearby cities.

#### Outlook

- Positive commitment on China's economic outlook from Davos is keeping Rebar prices firm for short term. As prices move above 3659, a further upside trend can be seen towards 3886-3900 in the near term. Stringent pollution control policy will keep prices higher due to reduced production and supply in the market.

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