DAILY ANALYSIS REPORT

Monday, January 25, 2021

ABANS

Copper prices to find support from a drop in inventory and weakness in Dollar

Covid lockdown concerns are likely to keep oil prices under pressure

Stimulus hopes and weakness in the Dollar are keeping gold prices firm

COPPER PRICES TO FIND SUPPORT FROM A DROP IN INVENTORY AND WEAKNESS IN THE DOLLAR

- Copper prices are trading marginally up, due to weakness in the US dollar. Increasing optimism over an US stimulus plan is likely to support Copper prices. U.S. President, Joe Biden's administration has been fighting for its $1.9 trillion COVID-19 relief plan. However, the rising number of covid cases in China is limiting the gains in metals.
- On the economic data front, the German government, on Friday, cut its 2021 German GDP estimate to 3.0%, from a 4.4% projection in October. The U.S. January Markit manufacturing PMI unexpectedly rose +2.0, to 59.1, stronger than expectations of -0.6, to 56.5, and December existing home sales unexpectedly rose +0.7%, to 6.76 million, stronger than expectations of a decline to 6.56 million.
- China has overtaken the US as the world's top destination for new foreign direct investment, according to UN figures released on Sunday. China had $163bn (£119bn) in inflows last year, compared to $134bn attracted by the US. In 2019, the US received $251bn in new foreign direct investment, while China received $140bn. China is the leading consumer of base metals, and it is likely to increase global demand for Copper.
- Copper stock at SHFE has dropped nearly 40,795 mt in the last three months, and now stands at 23,286 mt, as on 22nd January, 2021. Meanwhile Copper stock at LME has dropped near 92,900mt in the last three months, and now stands at 87,725 mt, as on 22nd January, 2021.

Outlook

- Copper prices are likely to trade firm, while remaining above the key support level of the 20-days EMA of $7,955 per mt, and the 50-days EMA of $7,701 per mt. Meanwhile, key resistance is seen near $8,145-$8,243 per mt.

COVID LOCKDOWN CONCERNS ARE LIKELY TO KEEP OIL PRICES UNDER PRESSURE

- WTI Crude prices are trading near $52.30, with moderate losses. Rising number of Covid cases in China is likely to keep oil prices under pressure. However, rapid expansion of vaccination in leading economies is likely to support the prices.
- China reported a climb in new Covid-19 cases on Monday, which is likely to implement more restrictions in the economic activity, to prevent the rapid spread of the virus and halt energy demand. JPMorgan Chase, on Wednesday, cut its crude oil demand estimates for China. JPMorgan cut its China January crude oil demand forecast by -60,000 bpd, cut its February demand forecast by -150,000 bpd, and cut its China March crude demand forecast by -113,000 bpd. The Chinese government is discouraging travel during the upcoming Lunar New Year holidays.
- According to the CFTC Commitments of Traders report for the week ended January 19, net long for crude oil futures sank -19,133 contracts, to 508,584 for the week. Speculative long positions slumped -27,482 contracts, while shorts fell -8,349 contracts.
- Meanwhile, the International Energy Agency (IEA) cut its Q1 global crude consumption estimate by 580,000 bpd. While, for the entire 2021, the IEA cut its global crude demand forecast by -280,000 bpd, to 96.6 million bpd, although that would still be up by +5.5 million bpd (+6%) from 2020.
- US Energy Information Administration (EIA) crude inventories rose +4.35 million bbl, versus expectations of

a decline of -1.5 million bbl. EIA gasoline supplies unexpectedly fell -259,000 bbl, versus expectations of a +2.43 million bbl build, and distillate stockpiles rose +457,000 bbl, less than expectations of +1.8 million bbl. U.S. crude oil inventories, as of January 15, were +9.2% above the seasonal 5-year average, (gasoline inventories were -2.8% below the 5-year average, and distillate inventories were +7.4% above the 5-year average).

- U.S. crude oil production in the week ended January 15 was unchanged w/w at 11.0 million bpd, and down by -2.1 million bpd (-16.0%) from February's record-high of 13.1 million bpd.
- Baker Hughes reported on Friday that active U.S. oil rigs rose by +2 rigs in the week ended January 22, to an 8-1/2 month high of 289 rigs.

Outlook

- WTI Crude oil prices for the March expiry contract are likely to find support near the 20-days EMA at $51.52 per barrel. Meanwhile, critical resistance is seen around $54.85 per barrel, and $56.13 per barrel.

STIMULUS HOPES AND WEAKNESS IN THE DOLLAR ARE KEEPING GOLD PRICES FIRM

- Gold prices are trading with a positive trend, due to weakness in the Dollar Index, and increasing optimism of the US economic stimulus. President Joe Biden's administration tried to head off Republican concerns that his $1.9 trillion pandemic relief proposal was too expensive, on a Sunday call.
- Meanwhile, comments on Friday from ECB Governing Council member, Vasiloauskas, were negative for gold when he said, "the balance of risks is still on the negative side, but there are signs that could turn the balance of risks to neutral."
- On the economic data front, Japan's December National CPI (ex-fresh food & energy) fell -0.4% y/y, the fastest pace of decline in 7-1/2 years. A drop in inflation is negative for gold prices, as investors consider gold as a hedge against inflation.
- The worsening pandemic is curbing global economic growth, and is likely to keep gold prices firm. The overall number of global coronavirus cases has topped 99.15 million, while the deaths have surged to more than 2.12 million, according to the Johns Hopkins University.
- According to the CFTC Commitments of Traders report for the week ended January 19, net long for gold futures increased by 411 contracts, to 246,638 for the week. Speculative long positions slumped -5,710 contracts, while shorts fell -6,121 contracts.

Outlook

- Gold prices are likely to find support at the 200-days EMA at $1,832 per ounce, while key resistance is likely to be seen around the 50-days EMA at $1,867.

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