
Copper remains firm on inventory decline, US-China talks in focus
Brent oil recovers from recent low on API report, EIA weekly Inventory report today
Gold remains steady near \$1330, Powell comments on interest rate push dollar down
China Rebar prices remain higher on optimism over a possible trade deal with the US
Rupee strengthens the following weakness into dollar and rally into equities

COPPER REMAINS FIRM ON INVENTORY DECLINE, US-CHINA TALK IN FOCUS

- ▲ Copper held steady near its highest in more than seven months as signs of falling supply and a softer dollar underpinned prices. LME inventory dropped almost by 50% and Comex inventories dropped nearly 70% in the last 6 months.
- ▲ LME copper prices touched their highest level since July after U.S. President Donald Trump said he would delay an increase in tariffs on Chinese goods scheduled for March 1. Trump would also plan a summit with Chinese President Xi Jinping at his estate in Florida to conclude an agreement, assuming both sides make further progress.
- ▲ Inventory - LME Copper warehouse stock decreased by -6325 mt in last five days to 133075mt, Comex Copper warehouse stock decreased by -8555 mt in last five days to 60238mt, with a net change of -69percent in last six month.

Outlook

- ▲ Decreasing mine production and drying up inventories are keeping copper prices higher. Optimism over US-China trade talks may support copper further. Copper may find minor support around 6285, short-term trend remains positive above this level. Meanwhile, immediate resistance is seen near 6544-6702.

BRENT OIL RECOVERS FROM RECENT LOW ON API REPORT, EIA WEEKLY INVENTORY REPORT TODAY

- ▲ Oil prices recovered on Wednesday in Asia after losing more than 3% earlier this week when U.S. President Donald Trump tweeted that prices were "getting too high."
- ▲ The international cartel and its allies planned to stick to their oil supply cuts despite Trump's tweet. The news was cited as supporting oil prices today.
- ▲ API Report – API reported a surprise draw in crude oil inventory of 4.2 million barrels for the week ending February 22. API also reported a draw in gasoline inventories 3.8 million barrels. Distillate inventories increased this week by 400,000 barrels
- ▲ US Crude oil production hits a record 12 million barrels per day (bpd). This means that U.S. crude output has soared by almost 2.5 million bpd since the start of 2018, and by a whopping 5 million bpd since 2013.

Outlook

- ▲ Brent oil corrects after US president trump comments on Oil prices. Increasing US oil production levels is also negative for oil prices but the counter is still receiving support from OPEC+ production cuts. We expect Brent oil to remain positive as OPEC production cut, Venezuela and Libya issues could keep oil on the boil, US trade talks with China would also be watched closely for further clarity on demand growth. Positive US-China trade may support oil demand outlook for rest of the year.

GOLD REMAINS STEADY NEAR \$1330, POWELL COMMENTS ON INTEREST RATE PUSH DOLLAR DOWN

- ▲ US dollar index traded near three-week lows after U.S. Federal Reserve Chairman Jerome Powell said that the Fed will be patient in hiking interest rates.
- ▲ Gold recovers from losses as the dollar declined against Yuan. Yuan rallied on optimism of trade talk, U.S. President Donald Trump said he would delay an increase in tariffs on Chinese goods.
- ▲ Palladium's premium - The tight supply in the palladium got a little tighter. Palladium hit record highs on strike threats at South African mines. The push higher widened palladium's premium against gold.
- ▲ Media speculation on Brexit deal is keeping gold prices firm in the near term. A Media report says that Brexit could be delayed until 2021 under plans being explored by the EU's most senior officials.

Outlook

- ▲ Comex gold found immediate support around \$1322 per ounce, on a break below this level; further decline is possible till \$1305 meanwhile critical resistance is seen around \$1340-\$1349.80. We expect gold to remain in the 1322-1348 range in the short term. Geopolitical issues such as Brexit, Venezuela tension and Iran-India terror attack are keeping gold prices firm however positive outcome of US-China trade talk and fed comments could act as a headwind.

CHINA REBAR PRICES REMAINS HIGHER ON OPTIMISM OVER A POSSIBLE TRADE DEAL WITH US

- ▲ Rebar extending its rise into a fourth session, as optimism over a possible trade deal between Beijing and Washington, waned.
- ▲ Chinese Yuan strengthens to 6.6857 against USD on Wednesday
- ▲ Chinese iron ore futures hit their lowest in more than three weeks following news that Brazil's average daily exports of the steel-making raw material this month outpaced shipments a year earlier, despite last month's mine disaster.

Outlook

- ▲ Steel rebar future on SHFE is likely to rise, supported by optimism over US-China trade talks as construction demand may pick up this week and Inventory restocking after the holiday season could boost prices in the short term. The next level of resistance is seen around 3833-3920.

RUPEE STRENGTHENS FOLLOWING WEAKNESS INTO DOLLAR AND RALLY INTO EQUITIES

- ▲ The rupee was trading higher against the US dollar on account of some selling in greenback from banks and exporters. The dollar came under pressure after Federal Reserve Chairman Jerome Powell repeated that the US central bank would remain patient on monetary policy, FII inflow continues.
- ▲ Fiscal deficit touched 121.5 percent of the full-year revised target of Rs 6.34 lakh crore at the end of January on account of lower revenue collections, government data showed on Tuesday.
- ▲ Crude oil has been rising due to a politically orchestrated cut in production from OPEC and friends. US EIA weekly Inventory report today.

FII and DII Data

- ▲ Foreign funds (FII's) bought shares worth Rs. 1674.17 crore, while Domestic Institutional Investors (DII's) sold shares to the tune of Rs 720.27 crore on February 26nd.
- ▲ In February 2019 FIIs net bought shares worth Rs.9930.93 crore, while DII's were net buyers to the tune of Rs. 4607.92 crore.

Outlook

- ▲ We can expect the recovery in rupee if USD-INR pair breaks support level of around 70.96. USD-INR may decline towards 70.40-69.80 if it breaks 70.96. Meanwhile, the key resistance level is seen AT 71.60, the market may remain in the range of 71.6-70.40 with negative bias over geopolitical tension.

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