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China factory activity shrinks in February, Copper trade in range after China PMI data

US Crude oil production hits record 12.1 million bpd

Recovery in dollar index from recent low pushed gold prices down

China steel Rebar price continue to trade in range after high inventories buildup and increased output.

Rupee remains in range after geopolitical tension, FI's inflow continued to increase.

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## CHINA FACTORY ACTIVITY SHRINKS IN FEBRUARY, COPPER TRADES IN RANGE AFTER CHINA PMI DATA

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- ▲ Factory activity in China dropped to three-year low in February as export orders fell at the fastest pace since the global financial crisis. China PMI fell to 49.2 in February from 49.5 in January. China may be at risk of a sharper slowdown if current Sino-U.S. trade talks fail to relieve some of the pressure.
- ▲ Japan's factory output posted the biggest decline in a year during January as China's slowdown affects the entire region.
- ▲ LME inventory dropped almost by 50% and Comex inventories dropped nearly 71% 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 -8575 mt in last five days to 130925mt. Comex Copper warehouse stock decreased by -7399 mt in last five days to 58651mt

### Outlook

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

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## US CRUDE OIL PRODUCTION HITS RECORDS 12.1 MILLION BPD

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- ▲ Oil Prices were trading in range with negative bias after US production reported by EIA. American crude oil production, which has risen by more than 2 million barrels per day (bpd) over the last year, to an unprecedented 12.1 million bpd.
- ▲ U.S. commercial crude inventories fell 8.6 million barrels in the week to Feb. 22 to 445.87 million barrels as reported by EIA. Prior to this, 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.

### 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 continues to receive 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.

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## RECOVERY IN DOLLAR INDEX FROM RECENT LOW PUSHES GOLD PRICES DOWN

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- ▲ Gold prices drops to near two-week lows touched as the dollar index recovered some losses after cautious comments from U.S. Trade Representative Robert Lighthizer. Robert said that it is too early to predict the outcome of ongoing trade talks with Beijing and United States will need to maintain the threat of tariffs on Chinese goods for years even if the two sides strike a deal.
- ▲ Gold remains indecisive, Chairman Powell said on Wednesday that Federal Reserve will stop shrinking its \$4 trillion balance sheet later this year.

- ▲ Geopolitical tensions between India and Pakistan may keep sentiment positive for gold in near term.
- ▲ 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; a 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.

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## RUPEE REMAINS RANGEBOUND AFTER GEOPOLITICAL TENSIONS, FII'S INFLOW CONTINUED TO INCREASE

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- ▲ The rupee was trading higher against the US dollar on account of some dollar weakness from banks and exporters.
- ▲ 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 prices inched higher today after the EIA released Weekly Status. US Crude oil inventories had fallen by 8.6 million barrels last week.

## FII and DII Data

- ▲ Foreign funds (FII's) bought shares worth Rs. 423.04 crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs 66.81 crore on February 27th.
- ▲ In February 2019 FIIs net bought shares worth Rs 10353.97 crore, while DIIs were net buyers to the tune of Rs. 4674.73 crore.

## Outlook

- ▲ We can expect 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, counter may remain in the range of 71.6-70.40 with negative bias over geopolitical tension.

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## CHINA STEEL REBAR PRICES REMAIN IN RANGE AFTER HIGH INVENTORIES BUILDUP AND OUTPUT INCREASE

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- ▲ In January, crude steel output from China rose to 75.0 million tonnes, up 4.3 percent from January 2018.
- ▲ Steel demand has been slow in China since the latter part of 2018 as many construction projects have been halted amid the cold weather. On the other side Steel supply in the remained plentiful on moderate pollution curb measure.
- ▲ The weather is getting warmer; the steel demand in the construction sector is likely to recover starting March.

## Outlook

- ▲ Steel rebar futures on SHFE are 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.

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