Gold above $1300 on weak dollar, Fed meeting, and Brexit may decide next move

- A weak dollar is turning positive for commodities, which makes them cheaper in other currencies. The focus shifts to U.S. Federal Reserve's policy meeting this week, when the central bank is expected to leave interest rates unchanged.
- 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 29th-30th - The Fed raised interest rates four times last year and has signaled it will probably lift borrowing costs twice in 2019, though some central bank officials have stated they will be patient in raising rates, low rates are also positive for gold.
- European Central Bank chief indicated that the economic growth was likely to be weaker than expected. 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.
- US Jobs data: American labor market is fairly robust despite increasing economic uncertainty, the dollar strengthened post the release of jobless data last week. Monthly Non-farm employment data will be released on Friday this week.

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 remains above $6000 per ton, Fed meeting and US-China trade talks in focus

- Copper holds above $6000 per ton on LME, World economic growth, Fed meeting, and US-China talk to be key events to watch out for further direction, bias remains positive.
- Mining news -
  - Freeport McMoRan Inc, the world's second-largest copper miner forecasts 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.
  - Chilean copper miner Antofagasta Plc is evaluating building a new concentrator plant at its Centinela mine that would cost around $3 billion.
- Inventory Report-
  - LME Copper warehouse stock increased by 11,175 mt in last five days to 1, 46,275 mt, with a net change of -51percent in last six months.
  - SHFE Copper warehouse stock increased by 21,748 mt in last one week to 1,19,727 mt, with the net change of -55percent in last six months.
  - Comex Copper warehouse stock decreased by -5,679 mt in last five days to 90,533 mt, with the net change of -60percent in last six month.
- 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.

Outlook

Present economic condition is denting growth in copper prices, overall economic activity is slowing due to US tariff war on Europe and China. In case copper sustains current breakout above 6000 and moves above 6100 then we may see further recovery till 6230-6320 in the near term while critical support remains at 5878-5728 for the medium term.

Brent Oil near $61 per barrel, Venezuela tension and OPEC production cut limiting losses

- Oil declined marginally on rising US rig count, China industrial slowdown continues but is receiving support from geopolitical tension due to Venezuela and OPEC production cut.

- 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.
- Rig count - U.S. energy firms last week raised the number of rigs looking for new oil for the first time in 2019 to 862, an additional 10 rigs, Baker Hughes energy services firm said in its weekly report on Friday.
- 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.

Equity Sell off, 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 1st 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

FII and DII Data

- Foreign funds (FII's) bought shares worth Rs. 689.28 crore, while Domestic Institutional Investors (DII's) sold shares to the tune of Rs 147.35 crore on January 25th
- In January 2019 FIIs net sold shares worth Rs. 2878.07 crore, while DII's were net buyers to the tune of Rs. 3105.37 crore.

Outlook

- Equity Sell off, 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.

Steel prices continued recovery, volume drops ahead of Lunar year holiday starting from Saturday

- 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 2nd -10th on account of Chinese news year and spring festival.
- China's biggest steelmaking city, Tangshan, issued a second-level or "orange" pollution alert for a wave of smog expected to blanket the region. Steel mills will have to curtail sintering operation by 30 to 60 percent, or even shut, based on their emission levels. Other industrial plants in coke, cement, casting, and pharmaceutical sectors were also ordered to reduce output during the alert.

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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