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Crude oil prices likely to trade firm on increasing demand optimism

Copper is likely to trade negative

Strength in dollar pushed gold prices down

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**CRUDE OIL PRICES LIKELY TO TRADE FIRM ON INCREASING DEMAND OPTIMISM**

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- Crude prices are trading firm on increasing optimism over demand outlook and anticipation that global crude surplus will be diminished by the middle of this year. Global economic recovery is likely to be stable as Covid vaccination improves further. U.S. vaccinations is accelerating as 26.5 million Americans have received either one or both doses of the current Covid vaccines as of Monday
- Also, UBS said it expects the global oil market to be undersupplied by -1.5 million bpd this year as OPEC+ reduces crude production and world energy demand climbs.
- As per Joint Technical Committee of OPEC+ (JTC) global crude inventories are expected to decline by -1.1 million bpd on average this year and that global oil stockpiles could decline below their 5-year average by June of this year.
- Also OPEC Secretary-General Mohammad Barkindo said that "OPEC is hopeful that 2021 will be a good year for overall demand."
- On economic data front, Eurozone Q4 GDP fell -0.7% q/q and -5.1% y/y, stronger than expectations of -0.9% q/q and -5.3% y/y.
- However, setback from china oil demand is likely to keep a lid on oil prices. The Chinese government is discouraging travel during the upcoming Lunar New Year holidays due to the resurgence of Covid. China State Railway Group cut its estimate for the number of travelers over the holiday period to 296 million from 407 million, citing low train ticket bookings.
- API reported U.S. crude supplies fell -4.26 million bbl last week and gasoline stockpiles dropped -240,000 bbl. Official weekly report will be released later today. The market expects a drop of -1.0 million bbl. Meanwhile, US inventory data as per last Wednesday's EIA data showed that crude oil inventories as of January 22 were +5.7% above the seasonal 5-year average, gasoline inventories were -2.2% below the 5-year average, and distillate inventories were +7.8% above the 5-year average.
- US crude oil production in the week ended January 22 fell -0.9% w/w to 10.9 million bpd and sharply down from last February's record-high of 13.1 million bpd. Meanwhile OPEC output as Jan OPEC crude production rose +190,000 bpd to a 9-month high of 25.67 million bpd.

**Outlook**

- WTI Crude oil prices for the March expiry contract are likely to find support near the 20-days EMA at \$52.4 per barrel. Meanwhile, critical resistance is seen around \$55.6 per barrel, and \$56.30 per barrel.

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**COPPER IS LIKELY TO TRADE NEGATIVE**

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- Copper prices are likely to trade negative while below \$8,120 on demand concern in China ahead of Holiday and rising number of Covid cases. China will celebrate its Lunar New Year holiday during Feb. 11-17.

- A recent coronavirus outbreak in China has dampened the country's economic activities in January. The Caixin services PMI, a gauge of China's services sector activity, stood at 52.0 in January, the lowest in nine months, also Caixin's composite manufacturing and services PMI slipped to 52.2 in January, from 55.8 the previous month.
- Meanwhile, Copper stocks in LME warehouses are at their lowest since September at 74225 mt as on 2<sup>nd</sup> Feb 2021. Copper inventory have drooped by 106500mt in last one year. Meanwhile SHFE Copper inventory have dropped by 52799 mt in last one year and now stand at 19836 mt as on 2<sup>nd</sup> Feb 2021.
- Chilean state giant Codelco saw its copper production plunge in December. The national copper commission Cochilco said that output at Codelco fell 16% year-on-year to 157,800 tonnes for the month. However, total 2020 production for the miner inched up 1.2% over the previous year. Escondida copper production 0.7% year-on-year to 104,900 tons. However, Production in 2020 remained flat with the previous year. Collahuasi posted a 22% year-on-year decrease in production to 44,200 tons in December. However, Overall 2020 production jumped 11.3% versus 2019.

## Outlook

- Copper prices are likely to trade negative while below key resistance level of \$8120 per mt meanwhile strong support is seen around 50 days EMA at \$7728 per mt and 100 days EMA at \$7363 per mt.

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## STRENGTH IN DOLLAR PUSHED GOLD PRICES DOWN

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- Gold prices came under pressure as rally in the dollar index to 2-month high pushed precious metals down on Tuesday.
- Gold slide after heavy sell off in silver which under pressure due to profit booking by retail investor after robust rally in prices in 4 trading sessions and CME increased margin on Silver by 17.9% to control volatility. The current gold/silver ratio reached below historical averages and if gold prices don't move up then we may see more correction in silver prices too.
- Comments on Tuesday from Dallas Fed President Kaplan also supported negative move in gold when he said he doesn't see systemic risks in markets right now. He also said that he expects an improvement in economic mobility from June onwards and that it will be a healthy sign if longer-dated bond yields rise.

## Outlook

- Gold prices are likely to find support at 200 days EMA at \$1,832 per ounce while key resistance is likely to be seen around \$1,875-\$1,880

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