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Copper prices are likely to trade firm

WTI CRUDE OIL MAY TRADE IN A RANGE OF \$46-\$49 THIS WEEK

- WTI Crude oil prices are trading higher, and are supported by weakness in the Dollar Index, and a larger drop in crude oil inventories. The American Petroleum Institute (API) reported a draw in crude oil inventories of 4.785 million barrels, against the market forecast of a drop of 2.100 million barrels for the week ending December 25. The EIA will release its official data later today.
- However, the crude oil prices rally is likely to find stiff resistance from OPEC's plans to gradually increase oil production, after the start of the year, despite lockdowns in many countries, and poor demand. Russian Deputy Prime Minister, Novak, has said that Russia plans to support a further gradual increase in OPEC+ production at next month's meeting, as crude prices are within "an optimal range of \$45 to \$55 a barrel."
- Meanwhile, as per an EIA report, U.S. oil production held at 11.0 million bpd for the week ending December 18, which is 2.1 million bpd lower than the all-time high of 13.1 million bpd, which was reached in March.
- On the economic data front, the Oct S&P **CoreLogic** composite-20 home price index rose +1.61% m/m, and +7.95% y/y, stronger than expectations of +1.00% m/m, and +6.95% y/y, with the +7.95% y/y gain being the largest year-on-year increase in 6-1/4 years.
- The UK-EU Brexit deal is likely to increase economic optimism in the region, and this will be positive for crude oil consumption. European Commission President, Von der Leyen, and European Council President, Michel, will sign the accord on Wednesday, and the document will then be sent to London, where UK Prime Minister, Boris Johnson, will do the same.

Outlook

- WTI Crude oil prices for the February expiry contract is likely to find support near the 20-days EMA at \$46.83 per barrel, and the 50-days EMA at \$44.62 per barrel. Meanwhile, critical resistance is seen around \$49.00 per barrel and \$50.00 per barrel.

GOLD IS LIKELY TO TRADE FIRM

- Gold is currently trading near \$1,885, with a positive trend from the last two trading sessions, after the US stimulus and weakness in the Dollar Index is also providing support to precious metals.
- Gold is finding support from the US stimulus. President Trump, on Sunday night, signed the \$900 billion pandemic relief bill and the \$1.4 trillion omnibus spending bill. Gold is likely to find additional support, on the back of hopes for even additional stimulus, after the U.S. House of Representatives backed President Trump's proposal on Monday night to boost stimulus checks to \$2,000 from \$600.
- Meanwhile, according to industry estimates, Gold jewellery sales in Hong Kong fell by almost 80 per cent this year, due to the covid pandemic.

Outlook

- ▲ Gold prices are likely to find support at the 20-days EMA at \$1,869 per ounce, and the 200-days EMA at \$1,825 levels, while a key resistance is likely to be seen around \$1,920 - \$1,963 per ounce.

COPPER PRICES ARE LIKELY TO TRADE FIRM

- ▲ Copper prices are likely to trade firm, following weakness in the Dollar Index, and increased economic optimism, after the US passed a stimulus to prevent a slowdown in the world's largest economy.
- ▲ Prices of metals rose, after US President Donald Trump, on Sunday, signed into law a \$2.3 trillion pandemic aid and spending package, which would support the economy. It is likely to boost demand for base metals. LME is closed today, while SHFE copper contract is trading higher, following positive news.
- ▲ Copper inventory at LME alone has dropped nearly 36,800 mt in the last one month, which is 32.3% of the current stock at 113,975 mt, as on 29th December, 2020.

Outlook

- ▲ Copper prices are likely to trade firm, while remaining above the key support level of the 20-days EMA of \$7,723 per mt, and the 50-days EMA of \$7,420 per mt. Meanwhile, a key resistance is seen near \$7,952-\$8,145 per mt.

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