
Crude oil prices likely to remain firm if OPEC agrees to maintain production cut
Gold to trade negative

CRUDE OIL PRICES LIKELY TO REMAIN FIRM IF OPEC AGREES TO MAINTAIN PRODUCTION CUT

- WTI Crude oil prices have rebound from the recent low of \$57.25 and currently sustaining near \$61. Crude oil prices have received support from speculation that OPEC+ will agree to maintain its crude production cuts in May when it meets Thursday.
- Crude oil prices also found support after a report from Bloomberg that Foot traffic in U.S. airports rose to nearly 1.6 million on Sunday at the highest since the pandemic started. Jet fuel consumption may accelerate now as American Airlines Group Inc. pledges to mobilize most of its fleet in the wake of surging travel demand at home and overseas. It is likely to support oil prices in the near term.
- According to the CFTC Commitments of Traders report for the week ended March 23, net long for crude oil futures declined by 2387 contracts to 523055 for the week. The speculative long position gained by 2507 contracts, while shorts rose by 4 894 contracts.
- The crude oil rally was capped after Suez Canal reopened. A container ship that ran aground in the Suez canal last Wednesday and blocked tanker traffic through the canal was freed. About 1 million BPD of crude oil normally passes through the canal every day.
- Crude oil prices are also likely to face stiff resistance on account of increasing rig count, US oil inventories and US oil production numbers. Baker Hughes reported last Friday that active U.S. oil rigs rose by +6 rigs in the week ended March 26 to a 10-3/4 month high of 324 rigs and well above August's 15-year low of 172 rigs. Last Wednesday's weekly EIA data showed that U.S. crude oil inventories as of March 19 were +6.4% above the seasonal 5-year average, gasoline inventories were -3.4% below the 5-year average, and distillate inventories were +1.3% above the 5-year average. U.S. crude oil production in the week ended March 19 rose +0.9% w/w at 11.0 million BPD and is down by -2.1 million BPD (-16.0%) from the Feb-2020 record-high of 13.1 million BPD.

Outlook

- WTI Crude oil prices are likely to get fresh direction from the OPEC+ meeting on Thursday. However, it may find a strong support base around 50 days EMA at \$59.28 and 100 days EMA at \$55.06. It may find stiff resistance level around \$63.27 and \$64.77

GOLD TO TRADE NEGATIVE

- Strength in bond yields and the dollar index is keeping gold prices under pressure. Dollar index prices rallied above four-month high and bond yields continued a recovery rally. The US 10-year Treasury yields rose to 14-month highs on Tuesday (Currently trading near 1.76%) as a selloff in bond markets continued on expectations for stronger growth and inflation ahead. Dollar index is trading near 93.153 which is sharply higher from recent lows of 89.165. Gold prices are consolidating below \$1700, where the upside is capped due to strength in the dollar index and

bond yields.

- On economic data front, The U.S. Mar Dallas Fed manufacturing activity index unexpectedly rose +11.7 to a 2-1/2 year high of 28.9, against expectations of a decline to 16.8.
- However dovish comments from ECB Governing Council member Hernandez de Cos are likely to support gold prices. He said it is vital for the ECB "to maintain a high level of accommodative monetary policy so that fiscal policy can, in turn, continue its high level of support for the economy until a solid recovery is assured."
- Gold prices are also receiving support from third wave of coronavirus in Eurozone and rapidly expanding cases in India. The overall number of global Covid-19 cases has surpassed 127.5 million, while the deaths have surged to more than 2.79 million, according to the Johns Hopkins University.
- According to the CFTC Commitments of Traders report for the week ended March 23, net long for gold futures declined by 6129 contracts to 174067 for the week. Speculative long position gained 6537 contracts, while shorts rose 12666 contracts.

Outlook

- Gold prices are likely to trade negative and face stiff resistance near 20 days EMA at \$1732 and 50 days EMA at \$1763 while it may find support level around \$1686 and \$1670.

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