

Gold rallied as Fed kept interest rates unchanged, eyes on Non-Farm payroll data

- Gold prices rallied after the Federal Reserve kept benchmark rates unchanged and hinted slower monetary tightening.
- The Fed's decision is as per market expectations of holding interest rate between 2.25 percent and 2.5 percent. Fed further stated that "In light of global economic and financial developments and muted inflation pressures, Committee will be patient as it determines what future adjustments to the target range for the federal funds rate may be appropriate to support these outcomes."
- SPDR Holdings - Holdings of SPDR Gold Trust rose 1.01 percent to 823.87 tonnes on Tuesday from Monday at the highest level since June'18.
- Focus on Jobs report –dollar received support after ADP report that the U.S. private sector added 213,000 jobs in January, beating forecasts for 178,000 new jobs, monthly nonfarm payroll data is due to be released tomorrow.

Outlook

- Gold above the psychological level of \$1300, weak dollar along with US-China tension over Huawei is keeping precious metals firm. Gold could rally towards \$1328-1356 while above \$1289 in short term. Gold received support from Federal Reserve policy to keep the interest rate on hold but focus shifts towards monthly nonfarm payroll data, positive data may keep gold rally limited.

Copper trades above \$6100 per ton after dovish fed comment, weak data from China limits rally

- LME Copper rallied above \$6100 per ton after dovish fed comment on rate cycle and decision to keep interest rates unchanged.
- Reuters Poll: Copper and other base metals will recover only modestly this year as an economic slowdown in top metals consumer China has softened demand, according to a Reuter's poll
- Chinese economy- Chinese manufacturing contracted in January, for the second month in a row, purchasing managers' index (PMI) data showed, the downward pressure on the Chinese economy is still significant. The PMI saw a slight improvement in January, from 49.4 in December to 49.5 while in a contrary to this non-manufacturing PMI growing from 53.8 to 54.7 in the same period.
- Mining news
 - The number of miners missing after an earth tremor struck KGHM Polska Miedz's mine near the Polish town of Rudna fell to one from nine. Supply disruption causes prices to rally, KGHM produces around 700 thousand tonnes of payable copper yearly
 - Mongolia is working with overseas investigators to look into claims of corruption at its giant Oyu Tolgoi copper mine, the country's anti-graft body said. Oyu Tolgoi is scheduled to produce 430,000 tonnes (470,000 short tons) of copper per year, an amount equal to 3% to global production.
- Inventory report - LME Copper warehouse stock increased by 4075 mt in last five days to 149100mt, with a net change of -50percent in last six month. Comex Copper warehouse stock decreased by -9306 mt in last five days to 86906mt, with the net change of -62percent in last six month.

Outlook

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

Brent Oil consolidates above \$62 after US inventory report, Venezuela sanction

- Geopolitical tension - Venezuela's opposition leader Juan Guido 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.
- Inventory- Crude inventories rose 919,000 barrels against the expectation of 3.2 million barrels as per the report from Energy Information Administration. The weekly U.S. production of crude oil averaged 11.9 million barrels per day. American Petroleum Institute (API) reported a crude oil inventory build of 2.098 million barrels for the week ending Jan 25 against the expectation of 7.97 million barrels.

- Saudi Oil Cut – Saudi Arabia is targeting oil production of 10.10 million bpd instead of 10.20 million bpd of January levels. Saudi Arabia's voluntary limit under the December cut deal with Russia and other producers were 10.33 million barrels a day.

Outlook

Brent oil has formed a short-term bottom near \$50 a barrel, it is likely to face resistance around \$63.73, while key support remains near 58.74-56.50, the trend is sideways as OPEC production cut and Venezuela tension are keeping oil prices higher however global growth concern may keep rally limited. US inventory report is being closely watched for further direction.

Indian rupee consolidates near 71 before the interim budget

- The dollar index, which measures the greenback against a basket of currencies, fell after the Fed's cautious statement.
- 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 and US warning to put sanctions on Venezuela

FII and DII Data

- Foreign funds (FII's) bought shares worth Rs. 130.25 crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs 502.26 crore on January 30th
- In January 2019 FIIs net sold shares worth Rs. 2878.74 crore, while DIIs were net buyers to the tune of Rs. 3781.19 crore.

Outlook

- Equity Sell off, FII's selling and rising oil prices continue to support positive move in USD-INR, 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.

China Steel prices drop marginally on profit booking after PMI data

- Steel prices drop marginally on profit booking but the outlook remains firm as U.S.-China trade talks begin this week. U.S. Treasury Secretary Steven Mnuchin said on Monday that the United States expects significant progress during trade talks in Washington with Chinese Vice Premier Liu. Volume remains subdued Chinese new year holiday is approaching (February 2nd-10th)
- China PMI data – China manufacturing activity contracted for the second straight month in January. Official manufacturing Purchasing Managers' Index (PMI) for January was 49.5, according to the Chinese National Bureau of Statistics. Meanwhile, China's services PMI for January came in at 54.7 — better than the 53.8 reported for the month of December
- Iron ore - China's benchmark iron ore futures extended gains on Thursday to hit their highest in nearly 17 months, supported by concerns over supply disruptions in the wake of a mining disaster in Brazil.

Outlook

- Stringent pollution control policy will keep prices higher due to reduced production and supply in the market. US-China trade talks are being watched cautiously and any positive outcome may boost steel prices further from current levels, volume drops ahead of the New Year holiday.

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