
Gold to trade negative

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

GOLD TO TRADE NEGATIVE

- Strength in bond yields and the dollar index is keeping gold prices under pressure. Dollar index has rallied above its four-month high and bond yields continued to rally. Gold prices are consolidating below \$1,700, where the upside is capped due to strength in the dollar index and bond yields. A jump in T-note yields is bearish for gold prices, 10-year T-note yield on Tuesday climbed to a 14-month high of 1.774% putting pressure on precious metals.
- Gold prices are also trading negative after President Biden said the US would double the number of pharmacies where Covid vaccinations are available and that 90% of U.S. adults will be eligible to get the vaccine by April 19.
- On economic data front, The U.S. Jan S&P CoreLogic composite-20 home price index rose +11.1% y/y, against expectations of +11.2% y/y but still the largest pace of increase in 6-3/4 years. Also, the March Conference board U.S. consumer confidence index surged +18.4 to a 1-year high of 109.7, against expectations of 96.9.
- However dovish comments from ECB Governing Council member Vasiliauskas are likely to support gold prices. He said; even after inflation is back to its pre-pandemic trajectory, the ECB will need to keep quantitative easing in place for "quite a while."
- 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 6,129 contracts to 174,067 for the week. Speculative long position gained 6,537 contracts, while shorts rose 12,666 contracts.

Outlook

- Gold prices are likely to trade negative and face stiff resistance near 20 days EMA at \$1,727 and 50 days EMA at \$1,761 while it may find support level around \$1,670-\$1,654.

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 \$61.00. Crude oil prices have received support from speculation that OPEC+ will agree to maintain its crude production cuts in May when it meets Thursday. OPEC Secretary-General Barkindo told the OPEC+ Joint Technical Committee during its meeting Yesterday that oil producers must remain "very cautious" as positive developments seen in the oil markets over the last month were countered by the ongoing fragility caused by the pandemic.

- Crude oil prices found support after a report from Bloomberg that Foot traffic in U.S. airports rose to nearly 1.6 million on Sunday, 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.
- 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.
- Meanwhile, The American Petroleum Institute (API) reported a build in crude oil inventories of 3.910 million barrels for the week ending March 26. Market expectations are for a built up of 107,000 barrels for the week. Official inventory report from EIA is scheduled to be released later today and will provide further direction to the market. 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.
- However, Crude oil prices are 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.

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

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