Gold remains negative, the dollar gained after strong US Economic data

- Gold corrects marginally after a robust US economic data released on Friday which strengthened US dollar. U.S. job growth surged in January, with employers hiring the most workers in 11 months.
- SPDR Gold Trust holdings fell 0.79 percent to 817.40 tonnes on Friday from 823.87 tonnes on Thursday.
- The Fed's decision on Wednesday was in line with market expectations of holding interest rates between 2.25 percent and 2.50 percent. Fed further stated that "In light of global economic and financial developments and muted inflation pressures, the 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."
- WGC Gold Report - Central bank net purchases reached 651.5 metric tons in 2018, 74 percent higher than in the previous year when 375 tons were bought. The WGC has estimated that central banks now hold nearly 34,000 tons of gold. The Russian central bank sold almost all of its U.S. Treasury stock to buy 274.3 tons of gold in 2018. The central bank of Turkey increased gold reserves by 51.5 tons in 2018, WGC said total gold demand in 2018 reached a total of 4,345.1 tons.

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 remains negative on concern over Chinese growth, SHFE holiday begins

- LME Copper contracts are trading weak under pressure from concerns over slowing factory activity in China. China's factory activity shrank by the most in almost three years in January as new orders slumped further and output fell according to a private survey.
- Chinese manufacturing also 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.
- US-China deal - Metals markets are finding support after U.S. President Donald Trump said he would meet China's Xi Jinping soon to try to seal a comprehensive trade deal.
- Top copper miner Codelco struck a contract with the union of supervisors at its Gabriela Mistral mine in northern Chile, averting the threat of a strike.

Outlook

- Copper is receiving support from optimism over US-China tariff talk and President trump comments, in case copper sustains current breakout 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 hovers around $63, Venezuela sanction and OPEC production cut is in focus

- OPEC oil supply fell in January by the largest amount in two years despite sluggish production declines from Russia, production levels from OPEC are coming down after their last meeting. Even US sanctions will limit oil supply which will be similar to those imposed on Iran last year, which would also support oil prices.

- Oil prices remain firm as the United States and China could soon settle their trade disputes but new data is raising fresh concerns over China's economic slowdown which is keeping prices under pressure.
- Saudi Oil Cut – Saudi Arabia is targeting oil production of 10.10 million bpd instead of 10.20 million bpd done in January. 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.

The dollar remains higher against rupee on positive US economic data and buying by importers

- The dollar index remained firmed and kept rupee under pressure after positive US economic data and buying from importers. US economy added 3,04,000 jobs as compared to 2, 22,000 jobs in the previous month.
- Oil prices are expected to remain higher on OPEC production cut and US warning to put sanctions on Venezuela, higher oil prices may keep rupee under pressure.
- Indian Budget- The fiscal deficit for the current financial year is likely to be around 3.4 percent of GDP, marginally higher than the targeted 3.3 percent.

FII and DII Data

- Foreign funds (FII's) bought shares worth Rs. 1315.89 crore, while Domestic Institutional Investors (DII's) sold shares to the tune of Rs 5.07 crore on February 1st

Outlook

- Rising oil prices along with strength in dollar index 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 is at 70.40-69.90.

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