
OPEC+ producers might decide against increasing output
Gold prices likely to remain under pressure due to a fresh rise in bond yield

OPEC+ PRODUCERS MIGHT DECIDE AGAINST INCREASING OUTPUT

- Crude prices rallied after the OPEC+ Joint Ministerial Monitoring Committee (JMMC) meeting ended without a recommendation for an increase in OPEC+ crude output. Crude oil prices also found support from the weekly EIA report. Supplies of gasoline and distillates plunged after refinery utilization rates sank to the lowest on record due to deep freeze in Texas which has forced refiners to close.
- On Wednesday, OPEC+ JMMC ended without any recommendation on crude output policy. However, Russia is advocating for a 500,000 bbl increase in OPEC+ crude output. Also, Saudi Arabia is discussing only gradually phasing-out its 1.0 million BPD voluntary cut in crude production over several months. OPEC+ members will be meeting again later today to take a final decision on production levels which will give a fresh direction to oil prices.
- Wednesday's global economic data was mixed for crude prices. On the positive side, the Eurozone Feb Markit composite PMI was revised upward to 48.8 from the previously reported 48.1. Also, the Japan Feb Jibun Bank services PMI was revised upward to 46.3 from the previously reported 45.8. On the negative side, the U.S. Feb ADP employment report rose +117,000, weaker than expectations of +205,000. Also, the Feb ISM services index fell -3.4 to a 9-month low of 55.3, weaker than expectations of unchanged at 58.7.
- Meanwhile, monthly data for February suggests that OPEC crude production fell to -920,000 BPD into a 4-month low of 24.870 million BPD.
- Iraq's Oil Ministry reported Monday that Iraq Feb crude exports excluding Kurdistan rose +3.1% m/m to 2.96 million BPD.
- As per weekly inventory from EIA, crude inventories unexpectedly increased by a record 21.56 million bbl versus expectations of -1.25 million bbl and crude supplies at Cushing rose +485,000 bbl. However crude oil prices found support from EIA gasoline stockpiles which sank by -13.62 million bbl, against expectations of -2.50 million bbl. Additionally, distillate supplies fell by -9.72 million bbl, against expectations of -3.75 million bbl.

Outlook

- Crude oil prices to get fresh direction from OPEC+ decision on production levels which is likely to decide against increasing output despite an increase in prices. WTI crude oil may find strong support around 20 days EMA at \$59.90 per barrel and 50 days EMA at \$55.80 per barrel. It may find stiff resistance near \$63.60 and \$65.20 per barrel

GOLD PRICES LIKELY TO REMAIN UNDER PRESSURE DUE TO A FRESH RISE IN BOND YIELD

- Gold prices dropped on Wednesday as bond yield continued its bull run. The 10-year T-note yield on Wednesday rose +7.9 bp to 1.470%. The 10-year UK gilt yield rose +9.2 bp to 0.779%, and the German 10-year bund yield climbed +6.4 bp to -0.288%. Long gold positions in ETFs fell to a 7-3/4 month low on Tuesday.
- Gold prices were under pressure after comments from Chicago Fed President Evans when he said that the recent rise in bond yields is healthy and he doesn't expect we'll need to change the duration of the Fed's bond purchases.
- However gold prices found some support from global economic data. The U.S. Feb ADP employment report rose +117,000, weaker than expectations of +205,000. Also, the Feb ISM services index fell -3.4 to a 9-month low of 55.3, weaker than expectations of unchanged at 58.7. The Eurozone Eurozone Jan PPI rose +1.4% m/m, the largest increase in 15 years but slightly below expectations of +1.5% m/m. A rise in inflation is supportive for gold demand to hedge against inflation.
- Finalized service and composite PMI figures for France, Germany, and the Eurozone also provided the direction. Eurozone, the Services PMI rose from 45.4 to 45.7 in February, which was better than a prelim 44.7. An impressive pickup in manufacturing sector activity in Germany led to a rise in the German composite from 50.8 to 51.1. For France, the Composite fell from 47.7 to 47.0.
- Also, Dovish comments from ECB member supported the precious metals. ECB Governing Council member Hernandez de Cos said weak inflation expectations plus uncertainty about the economic outlook underline the "importance of avoiding a premature increase in nominal interest rates."
- US Federal Reserve reported in "Beige Book" that The US economic recovery continued at a modest pace over the first weeks of this year, with businesses optimistic about the months to come and demand to house "robust," but the job market showing only slow improvement. The Fed, however, reported that the labour market condition was not as bad as had been hoped.

Outlook

- Gold prices are likely to remain under pressure on a fresh rise in global bond yields which is forcing long liquidation in non-yielding gold. Gold is likely to face stiff resistance near 20 days EMA at \$1,775 and 50 days EMA at \$1,813 while key support levels are seen around \$1,697-\$1,678.

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