

Gold recovers marginally, geopolitical tension in Venezuela and Brexit provide support

- After a sharp decline from last three days, gold recovers marginally over geopolitical tension in Venezuela and Brexit tussle provide some support. Gold was trading negative since Friday after better than expected US Jobs data release.
- Venezuela- Political tensions are reaching boiling point, with the oil-rich, but cash-poor, historically gold receive support from such events. Thousands of anti-government protesters took to the streets of the capital city over the weekend to demonstrate against President Nicolas Maduro.
- Brexit- uncertainty continues, Prime minister Theresa May said to deliver a Brexit Deal that MPs and Northern Ireland could support
- Gold corrected on Friday after a robust US economic data released 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.

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.

Zinc near multi-month high over inventory and LME warrants report, China production fell 4.6%

- China's zinc output came in at 4.53 million tonnes in 2018 as per private survey report, production decline of 4.6 percent, or 218,000 tonnes, from 2017, the steepest drop since 2013.
- Stocks of zinc at 112,500 tonnes are less than half the levels seen last August. Also worrying the market are canceled warrants nearly 50 percent of total stocks.
- Concern about nearby zinc supplies has been fuelled by one company holding between 50 and 79 percent of LME zinc warrants and cash contracts.

Outlook

- Zinc prices may continue its bullish move following latest supply fundamentals, the immediate upside could be seen till \$3000 per ton and further positivity till \$3266 if it sustains above \$3000.

Copper above \$6200 following other metals, US-China trade talk optimism is supportive for prices

- Copper rallied above \$6200 per ton following other metals, the market is expecting the positive outcome of US-China trade talk after president trump statement. Although growth number from China is keeping prices under pressure.
- 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.
- 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.
- Comex Copper warehouse stock decreased by -8685 mt in last five days to 81848mt, with a net change of -64percent in last six month.

Outlook

- Copper is receiving support from optimism over US-China tariff talk and President trump comments, in case of copper, sustains above 6100 then a further rally towards 6230-6320 could be seen while critical support remains at 5878-5728 in the medium term.

Brent Oil hovers around \$63, Venezuela sanction and OPEC production cut is in focus

- A dovish Federal Reserve comment, weaker dollar, sanctions on Venezuela, and solid January US jobs data all supported crude oil prices, but still below key resistance level of 63.73
- Sanction on Venezuela - The Trump administration unveiled sanctions on Venezuela's state-owned oil firm Petr leos de Venezuela SA last week in an effort to cut off money to President Nicol s Maduro, days after opposition leader Juan Guaid  declared himself interim president of the country, political turmoil raises the risk of disruption to Venezuela's oil output.
- 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.
- 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.
- API inventory report will be released today while EIA weekly inventory report will be released tomorrow.

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 sustains near 72, focus on RBI meeting this week on February 7th

- The Indian rupee stabilize below 72 per dollar aftermath of the interim budget and ahead of the Reserve Bank of India's policy review meet later this week on February 7th
- RBI meeting Expectation - The RBI is likely to change its policy stance to neutral in this meeting following low inflation footprint but the market is not expecting any interest rates cut due to fiscal challenges and rising crude oil prices.
- 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.
- 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.

FII and DII Data

- Foreign funds (FII's) sold shares worth Rs. 112.13 crore, while Domestic Institutional Investors (DII's) sold shares to the tune of Rs 65.22 crore on February 4th
- In February 2019 FIIs net bought shares worth Rs. 1203.76 crore, while DII's were net sellers to the tune of Rs. 70.29 crore.

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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