

RBI rate decision Highlights

- The Reserve Bank of India on Thursday unexpectedly lowered interest rates and shifted its stance to "neutral" from "calibrated tightening"
- Rate decision will boost a slowing economy after a sharp fall in the inflation rate.
- The monetary policy committee (MPC) cut the repo rate by 25 basis points to 6.25 percent
- Market expected the central bank to only change the stance, to neutral, but RBI came with a surprise.
- Four of six members of the MPC voted to cut the rates, while all six members voted for a change in the stance.

Indian rupee strengthen post-RBI policy meeting, Equity market reacted positively

- Indian rupee strengthens after RBI decision to cut the rate by 25bp against the market expectation of no rate cut.
- Inflation- In the fifth bi-monthly monetary policy, CPI inflation for 2018-19 was projected to be in the range of 2.7-3.2 percent in H2FY19 and 3.8-4.2 percent in H1FY20, with risks tilted to the upside. Inflation outcome at 2.6 percent in Q3FY19 was marginally lower than the projection.
- GDP Growth - GDP growth for FY20 has been projected at 7.4 percent, in the range of 7.2-7.4 percent in H1FY20, and 7.5 percent in Q3FY20 with risks evenly balanced. In the December policy, it was projected at 7.4 percent (7.2-7.3 percent in H2) and at 7.5 percent for H1FY20, with risks somewhat to the downside.

FII and DII Data

- Foreign funds (FII's) bought shares worth Rs. 694.97 crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs 525.26 crore on February 6th
- In February 2019 FIIs net bought shares worth Rs. 2319.38 crore, while DII's were net buyers to the tune of Rs. 649.28 crore.

Outlook

- Indian rupee is receiving support from a current rally in equities and FII's buying however rising oil prices along with strength in dollar remains a matter of concern. The USD-INR pair broke its key resistance level near 70.80; the next resistance is seen near 72.60 while important support is at 70.40-69.90.

Brent oil regained after US inventories rose below the market expectation in EIA weekly report

- Crude Oil prices regained on Wednesday post minor decline on Tuesday, following strong demand in the US as inventory levels increased, but less than market expectations.
- EIA Report -US crude oil inventories gained by 1.3 million barrels against market expectation of 2.2 million barrels in the week ended Feb. 1. Gasoline stocks increased by 513,000 barrels, less than anticipated, while distillate stockpiles posted a larger-than-expected drop by 2.3 million barrels.
- The API this week reported a build in 1.731 million barrel and 1.141 million barrels gasoline and distillate inventories respectively for the week ending February 1. Crude oil inventories at the Cushing, Oklahoma facility rose by 889,000 barrels for the week.
- 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.

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, 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.

Gold trades weak after dollar rallied to two weeks high

- Gold drops below 1310 following a rally in dollar index which is near two week high. Still, worries about slowing global economic growth and the speculation of another U.S. governmental shutdown kept the precious metals above the key psychological \$1,300 level over safe-haven demand. Geopolitical concern such as US Government shutdown, Venezuela political crisis, and Brexit deal will keep supporting gold at lower levels.
- US government Shutdown - Democrats signal openness to border barriers as a second government shutdown looms. Top Democrats are now signaling they're open to some kind of enhanced physical barrier along the southern border, raising chances for a spending deal to avert another government shutdown next week.
- Venezuela- Political tensions are reaching boiling point, with the oil-rich, but cash-strapped, historically gold receives 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, The UK Parliament's next opportunity to vote on Brexit, which had been expected for February 14, could be delayed, UK official said that a deal was unlikely to be agreed in the next week and that the vote could take place later.

Outlook

- Gold may remain above the psychological level of \$1300 and it could rally towards \$1328-1356 while above \$1289 in short term. Gold will continue to receive support from geopolitical issues such as Brexit, Venezuela and trade talks between the US and China.

LME Copper above \$6200 following US-China trade talk optimism, Comex inventory drops further

- Copper remains firm over US-China trade talk optimism, U.S. Treasury Secretary Steven Mnuchin said on Wednesday that he and other U.S. officials will travel to Beijing next week for trade talks, aiming to clinch a deal to avert a March 2 increase in U.S. tariffs on Chinese goods.
- Concerns over slowing factory activity in China limiting gains, China's factory activity shrank as new orders drop further in January, output declined on fears that slowdown is deepening in China.
- Comex Copper warehouse stock decreased by -9938 mt in last five days to 78958mt, with the net change of -63percent in last six month.
- 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 of copper, sustains above 6100 then a further rally towards 6320 could be seen while critical support remains near 5878-5728 in the medium term.

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Contact Details

Abans Broking Services (P) Limited

36, 37, 38A, 3rd Floor, 227 Nariman Bhavan,
Backbay Reclamation, Nariman Point,
Mumbai - 400 021
Phone +91-22-61790000 Fax +91-22-61790010
Email: info@abans.co.in Website: www.abans.co.in

Social Media



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Prepared By:

Mr. Kamlesh Jogi, Market Research Analyst

E-mail: kamlesh.jogi@abans.co.in

Phone: +91-22-68354176 (Direct)

Communication Address: 36, 37, 38A, 3rd Floor, 227 Nariman Bhavan,
Backbay Reclamation, Nariman Point,
Mumbai - 400 021

Membership Details:

MCX Member ID: 40385 / SEBI Reg. No. INZ000032733;

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