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Gold bounced on coronavirus relief package  
Strong Global PMI data is supportive for Copper prices

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## GOLD BOUNCED ON CORONAVIRUS RELIEF PACKAGE

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- Gold prices bounced from the recent lows on the first day of March 2021 as the US House of Representatives passed a \$1.9 trillion coronavirus relief package late Saturday and also some relief in bond yield supported a positive move in precious metals. However, Government bond yields in the United States, Germany and Australia ended February with their biggest monthly gain in years which kept gold prices under pressure throughout February.
- Friday's U.S. economic data was mixed for metals. US Jan existing home sales have increased unexpectedly by +0.6% m/m to 6.69 million, against expectations of a decline to 6.60 million. US Feb Markit manufacturing PMI declined by -0.7 point to 58.5, against expectations of -0.4 to 58.8.
- BOE policy makers have echoed Fed officials in reading a surge in bond yields. Their remarks suggest that the UK central bank has no immediate plans to counter the sell-off that quadrupled yields on 10-year government bonds since the start of the year. BOE officials appeared largely unperturbed in a series of appearances last week which is negative for gold prices.
- According to the CFTC Commitments of Traders report for the week ended February 23, net long for gold futures fell 19,236 contracts to 215,733 for the week. Speculative long position sank 19,502 contracts, while shorts declined 266 contracts.

### Outlook

- Gold prices have bounced from Friday's losses on coronavirus relief package, however rising bond yield to keep prices under pressure. It may face stiff resistance near \$1,772 while key support levels are seen around \$1,727 and \$1,690.

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## STRONG GLOBAL PMI DATA IS SUPPORTIVE FOR COPPER PRICES

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- Copper prices are trading positively near \$9,110 per ton on LME as US coronavirus relief package and strong global PMI is supportive for copper prices.
- However other global PMI data is supportive for Copper prices. Japan's factory activity expanded at the fastest pace in over two years in February. The final Jibun Bank Japan Manufacturing Purchasing Managers' Index (PMI) jumped to a seasonally adjusted 51.4 in February from the prior month's 49.8 reading.
- The Eurozone Feb Markit manufacturing PMI unexpectedly rose +2.9 to a 3-year high of 57.7, stronger than expectations of -0.5 to 54.3. Also, the UK Feb Markit manufacturing PMI unexpectedly rose +0.8 to 54.9, stronger than expectations of -1.0 to 53.1. In addition, Japan's Feb Jibun Bank manufacturing PMI rose +0.8 to 50.6, the strongest pace of expansion in 2 years.

- However, copper prices rally was capped due to poor release of PMI data from China. China's factory activity expanded at the slowest pace in nine months in February as weak overseas demand and coronavirus flare-ups weighed on output. The Caixin/Markit Manufacturing Purchasing Managers' Index (PMI) fell to 50.9 last month against market expectation of unchanged from January's reading of 51.5.
- Copper inventory on LME warehouse has dropped nearly by 1,43,975 mt in last one year now stand at 74,200 mt as on 1<sup>st</sup> March 2021, Also inventory at SHFE warehouse have dropped nearly 1,01,225 mt in last one year and now stand at 69,961 mt as on 1<sup>st</sup> March 2021, which is indicative of strong physical demand in leading consumer China.

## Outlook

- Copper prices are likely to trade firm while above key support levels around \$8,952-\$8,622 per mt while key resistance level are seen around \$9,238-\$9,484 per mt.

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Prepared by:

Mr. Kamlesh Jogi | Market Research Analyst

email: [kamlesh.jogi@abans.co.in](mailto:kamlesh.jogi@abans.co.in)

Phone: +91 22 68354176 (Direct)

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 61790000

Email: [info@abans.co.in](mailto:info@abans.co.in) | Website: [www.abans.co.in](http://www.abans.co.in)

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