

SHFE copper inventory rose by 45% or 64391 tonnes in two weeks

- Shanghai base metals climb as US-China trade talk lift sentiments and increase demand outlook. Trade talks will resume this week in Washington, U.S. President Donald Trump repeated on Friday that he may extend a March 1 deadline for a deal and keep tariffs on Chinese goods from rising.
- Chinese banks extended a record 3.23 trillion Yuan (\$476.87 billion) in net new Yuan loans in January, sharply more than expected, as policymakers try to prevent a sharper economic slowdown.
- Copper imports into China, the world's top copper consumer, rose 12% from December to 479,000 tonnes in January, their highest level since September. Imports of copper concentrate also rose to 1.895 million tonnes, the second-highest monthly total on record.

Inventory –

- SHFE Copper warehouse stock increased by 64391 mt in last two week to 207118mt, with the net change of 6 percent in the last six months. LME Copper warehouse stock decreased by -6025 mt in last five days to 143175mt, with the net change of -44 percent in the last six month. Comex Copper warehouse stock decreased by -7056 mt in last five days to 70245mt, with the net change of -67percent in last six month.

Outlook

- Global growth concern and increasing supplies are keeping rally limited; positive outcome from US-China trade talk may push prices higher. As LME 3M Copper prices sustain above 6100, further rally could be seen towards 6320-6359.

Brent oil near three-month highs on OPEC supply cuts, China vehicle sales drops 15.8%

- Oil prices fell after climbing to their highest this year earlier in the session as China reported automobile sales in January which fell for the 7th consecutive month, raising concerns about fuel demand. China's vehicle sales last month fell by 15.8 percent versus the same month in 2018.
- Supply Cut- OPEC+ has agreed to cut crude output by 1.2 million barrels per day (bpd). Russia has cut its oil production by 80,000-90,000 barrels per day from its level in October.
- Saudi Arabia says it will reduce oil production to nearly 9.8 million barrels per day in March, well below its production quota under a deal to cap output. OPEC had reduced oil production by almost 800,000 bpd in January to 30.81 million bpd under its voluntary global supply pact.
- Oil production from non-OPEC producers like Brazil, Mexico or the North Sea has also been struggling, further tightening the market.
- U.S. output to rise past 12 million bpd soon and perhaps even hit 13 million bpd by the end of the year, EIA reported that U.S. crude oil inventories rose by 3.6 million barrels against market expectations of 2.7 million barrels last week to the highest since November 2017.

Outlook

- Brent oil has crossed critical resistance around \$63.74 per barrel and immediate upside is seen till \$66.87 and \$68.60, while key support remains at \$62.20 and \$60.80 Brent oil is expected to remain positive as OPEC production cut and Venezuela tension could continue to keep oil prices at elevated levels however global growth concern may keep rally limited, US inventory report and US talks progress with China are being closely watched for further direction.

Indian rupee remains weak on oil rally and selloff into equities

- The rupee lost ground after crude oil rally and sell off into Indian equities continued for the eighth day. FII's selling pushed rupee lower.

- Oil hits three-month high on OPEC cuts, U.S. sanctions on Iran, Venezuela. While The US dollar index is losing ground vs. its main competitors, retreating from the second session in a row.
- Domestic equities, Sensex and Nifty fall sharply on renewed India-Pakistan tensions after Pulwama terror attack

FII and DII Data

- Foreign funds (FII's) sold shares worth Rs. 966.43 crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs 853.25 crore on February 15th
- In February 2019 FIIs net bought shares worth Rs. 1096.00 crore, while DII's were net buyers to the tune of Rs. 2419.75 crore.

Outlook

- FII's outflow from the Indian market from last 5 days is supporting the current move in rupee against the dollar. Selling into equities and high crude prices are the key reason behind rupee weakness. USD-INR pair bounced from 70.50 and may face minor resistance around 71.90-72.20.

China steel prices recover marginally after the decline on optimism over US-China trade talk

- Chinese steel and iron ore prices edged up from recent low, buoyed by some restocking demand and optimism over U.S.-Sino trade talks.
- Most steel mills in China are still on the Lunar New Year holiday break and will start to replenish their stocks this week
- Chinese steel exports in January climbed to their highest since last June at 6.19 million, up from 5.56 million tonnes in December. That came amid flat domestic demand over winter and falling steel prices since November.

Outlook

- Steel rebar future on SHFE may find support from rising iron ore prices, it is being used as a raw material to manufacture rebar and other steel products; the next level of resistance is seen around 3833-3920. The positive outlook from US-China trade talks may push counter from these levels.

Gold remains higher post dollar decline, Safe haven demand shift from dollar

- The US dollar was marginally weak after increasing expectations of a China-US trade deal, investors to shift away from the dollar, the US Dollar was preferred safe-haven during the trade dispute.
- US-China Trade talk deadline to be extended - Trade talks will resume this week in Washington with time running short to ease trade war tension, but U.S. President Donald Trump repeated on Friday that he may extend a March 1st deadline for a deal and keep tariffs on Chinese goods from rising.
- FOMC-minutes on Wednesday - Minutes of the Fed's January policy meeting are due on Wednesday and should provide further guidance on the likelihood or not for further rate hikes this year.
- Proposal to end the crisis in Venezuela-Political tensions are reaching boiling point, There is a possible solution to the political and economic crisis in Venezuela that is not receiving due attention in the international community.
- Brexit- uncertainty continues, Theresa May has written to MPs, urging them to unite behind a Brexit deal while warning them "history will judge us all" over the process. Efforts will resume on Monday to persuade the EU to agree with changes to the "backstop" plan to prevent the return of customs checks on the Irish border.

Outlook

- Gold may remain above the psychological level of \$1300 and could rally towards \$1328-1356 while above the key support level of \$1289 per ounce. Gold is likely to receive support from geopolitical issues such as Brexit, Venezuela, and trade talks between the US and China. Any rally in dollar index is a risk to bullish gold prices in the short term.

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