DAILY ANALYSIS REPORT

Wednesday, February 24, 2021

Rising bond yield is likely to keep pressure on gold prices

WTI Crude prices are likely to trade firm while above $58.66

Increasing Economic optimism is likely to push copper prices higher

RISING BOND YIELD IS LIKELY TO KEEP PRESSURE ON GOLD PRICES

- Gold prices are currently trading near $1,807, still marginally up from the recent low of $1,759. However, rising bond yield and strength in the dollar index simultaneously has kept gold prices under pressure and unable to breach a critical resistance level. Gold ETF holdings have reached 7 month low following a rise in bond yield. Although, correction in the stock market has increased safe-haven demand in precious metals.
- Rising bond yields are likely to keep non-yielding gold prices under pressure. The 10-year UK gilt yield rose to an 11-month high Tuesday of 0.758%, and the 10-year German bund yield rose +2.4 bp Tuesday to -0.315%, modestly below Monday's 8-1/2 month high of -0.279%.
- Additionally, yesterday's US economic data was also bearish for gold prices. The U.S. Dec S&P composite-20 home price index rose +10.1% y/y, stronger than expectations of +9.9% y/y and the fastest pace of increase in 6-1/2 years. Also, the Conference Board's U.S. Feb consumer confidence rose +2.4 to 91.3, stronger than expectations of 90.0.
- However, comments from Fed Chair Powell supported the bullion prices. He signalled the Fed is not close to tapering its asset purchases, he said that the economy is a long way from our employment and inflation goals, and it is likely to take some time for substantial further progress to be achieved.

Outlook

- Gold prices are likely to face stiff resistance near 20 days EMA at $1,815 and 50 days EMA at $1,837 meanwhile critical support level is seen around $1,784 and $1,774.

WTI CRUDE PRICES ARE LIKELY TO TRADE FIRM WHILE ABOVE $58.66

- Positive global economic data and increasing optimism about US and China economy is likely to provide support to oil prices. Hope has increased in US as The House Budget Committee voted to advance the $1.9 trillion coronavirus relief package. House is likely to pass the bill, possibly later this week.
- Crude oil prices drops marginally from recent high after build in API inventory estimates. The API reported that U.S. crude supplies rose +1.03 million bbl and gasoline stockpiles rose +66,000 bbl last week. However official inventor data will be released by EIA later today. Market consensus is for fall -6.5 million bbl. U.S. crude oil inventories as of Feb 12 were -0.3% below the seasonal 5-year average, gasoline inventories were +0.4% above the 5-year average, and distillate inventories were +5.7% above the 5-year average.
- EIA also reported that U.S. crude oil production in the week ended Feb 12 fell -1.8% w/w to 10.8 million bpd and is down by -2.3 million bpd (-17.6%) from last February's record-high of 13.1 million bpd. International Energy Agency (IEA) said that global oil demand would not recover to pre-Covid levels by year-end. World oil demand is set to grow by 5.4 mb/d in 2021 to reach 96.4 mb/d,

recovering around 60% of the volume lost to the pandemic in 2020. While oil demand is expected to fall by 1 mb/d in 1Q21 from already low 4Q20 levels.

- Also, increased crude supplies in China are also likely to keep oil prices under pressure. China's oil inventories rose by 16 million bbl in the week through Feb 14 to 1.01 billion bbl, the third straight weekly increase.
- Additionally, US gasoline demand is likely to recover to 9.0 million bpd by Q3 but will still be 8% below 2019 levels due to increased unemployment and remote working.
- One more negative factor for crude oil is that Libya will export 1.21 million bpd of crude and condensate this month, which is highest since October when Libya resumed oil production.

Outlook

- Crude oil prices are likely to trade firm while above key support levels of 20 days EMA at $58.66 and 50 days EMA at $54.27 while it may face stiff resistance around $64.11 and $65.22

INCREASING ECONOMIC OPTIMISM IS LIKELY TO PUSH COPPER PRICES HIGHER

- LME Copper hits 9-1/2-yr high on the backdrop of tight supply, solid demand from both US and China. Increasing economic optimism from solid global manufacturing data is supporting demand for industrial metals such as copper and nickel.
- Copper inventories of the metal in LME warehouses hovered around their lowest since 2005. Copper inventory at LME now stand at 73,450 mt as on 23rd Feb 2021 which have dropped nearly 89,975 mt in last one year. Also SHFE Copper inventory now stand at 53,975mt as on 23rd Feb 2021 which have dropped nearly 111,990 mt in last one year.
- Premium for Yangshan bonded copper rose to $75 a ton, its highest since August 2020, indicating solid demand from China for the imported metal. As per a report from Reuters, Shanghai Dalu Futures, a brokerage on the Shanghai Futures Exchange, has built a $1 billion long position in copper contracts within just four days.
- Meanwhile as per the International Copper Study Group (ICSG) report, world refined copper market showed a deficit of 77,000mt in November. Between January and November last year, the copper market registered a deficit of 589,000 mt compared to a deficit of 427,000 mt in the same period of the previous year. World stocks of refined copper stood at 1,265 million tonnes at the end of November compared with 1,329 million tonnes at the end of October. The world copper mine production fell by around 0.2% in the first eleven months of 2020. Preliminary data indicates that world refined copper production increased by 1.8% during the first eleven months of 2020. The world apparent refined copper usage increased by 2.5% over the first eleven months of 2020.

Outlook

- LME 3M Copper prices are likely to trade firm while above key support level of $9,070 and $8,892 per mt .It may face stiff resistance around $9,481 and $9,659 per mt.

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