
Gold is likely to trade firm

OPEC+ production expectations have pushed oil prices higher

Weakness in the Dollar is keeping copper prices firm

GOLD PRICES HAVE RALLIED TO A EIGHT-WEEK HIGH

- Gold prices rallied above \$1,900, and are trading at a eight-week high, due to the rising number of covid-19 cases, and new lockdown measures in major economies. Britain's Prime Minister has hinted at stricter curbs, while Japan has said that it would consider declaring a state of emergency in its capital city area. Safe-haven demand is likely to keep gold prices firm in the short term.
- Worries over slower global growth outlook are supporting safe-haven demand in gold. China's manufacturing activity moderated in December due to weak demand. The Caixin China Purchasing Managers' Index was 53.0 in December, against 54.90 in November. Meanwhile, China's official manufacturing PMI, which is focused more on large, state-owned companies, fell to 51.9 in December, from 52.1 in November.
- Weakness in the Dollar Index is also keeping gold prices firm. The Dollar Index is currently trading near 89.52, which is sharply lower, compared to the November month high of 94.33.
- Meanwhile, gold prices are likely to get further direction on Wednesday from the minutes of the U.S. Federal Reserve's December month meeting.

Outlook

- Gold prices are likely to find support at the 10-days EMA at \$1,898 per ounce, while a key resistance is likely to be seen around \$1,940-1,995 levels.

OPEC+ PRODUCTION EXPECTATIONS HAVE PUSHED OIL PRICES HIGHER

- WTI Crude oil prices are trading at \$49.83, which is highest level since March 2020. OPEC+ is likely to cap output at current levels in the current situation, regarding the coronavirus pandemic. Mohammad Barkindo, Secretary General of the Organization of the Petroleum Exporting Countries (OPEC), has said that crude demand is expected to rise by 5.9 million barrels per day (bpd), to 95.9 million bpd this year.
- Meanwhile, OPEC production rose by 190,000 barrels a day to 25.3 million barrels a day in December. Libya, Angola, Iran, the United Arab Emirates, Venezuela, and Algeria have boosted supply.
- Data from Baker Hughes on Wednesday showed that active U.S. oil rigs rose by +3 rigs in the week ended January 1, to a 7-1/2 month high of 267 rigs, well above August's 15-year low of 172 rigs.
- Wednesday's weekly EIA data showed that U.S. crude oil inventories as of December 25, were +10.3% above the seasonal 5-year average, gasoline inventories were +1.6% above the 5-year average, and distillate inventories were +7.6% above the 5-year average.
- U.S. crude oil production in the week ended December 25 was unchanged w/w at 11.0 million bpd, and down by -2.1 million bpd (-16.0%), from February's record-high of 13.1 million bpd.

Outlook

- WTI Crude oil prices for the February expiry contract is likely to find support near the 20-days EMA at \$47.40 per barrel, and the 50-days EMA at \$45.10 per barrel. Meanwhile, a critical resistance is seen around \$49.80 per barrel, and \$50.70 per barrel.

WEAKNESS IN THE DOLLAR IS KEEPING COPPER PRICES FIRM

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- Copper and most other industrial metals rallied sharply higher today, due to weakness in the Dollar Index. LME 3M Copper prices are trading firm near \$7,940 per mt, or 2.36% higher from the previous closing.
- On the economic data front, China's Caixin/Markit Manufacturing Purchasing Managers' Index was at 53.0 in December, indicating growth in factory activities, but this was still down from November's 54.9. A drop in PMI is negative for industrial metals demand.
- China's central bank issued a regulation last week to cap property loans by banks to guard against any over-lending to the property sector.
- Copper inventory at LME alone has dropped nearly 41,850 mt in the last one month, which is 36% of the current stock at 113,975 mt, as on 31st December, 2020. Meanwhile inventory at SHFE has dropped nearly 22,725 mt in the last three months, which is 67% of the current stock at 33,433 mt, as on 31st December, 2020.

Outlook

- Copper prices are likely to trade firm, while remaining above the key support level of the 20-days EMA of \$7,741 per mt, and the 50-days EMA of \$7,450 per mt. Meanwhile, a key resistance is seen near \$7,952-\$8,145 per mt.

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