

US dollars at 2 months low

Key Points:

- Philippines Government to shut and suspend 21 miner
- Dollars made 2&1/5 month low of 99.20
- Gold touched highest since Nov. 17 as the U.S. dollar declined.
- Copper on verge of deficit as fear of labor strike looms over copper supplies
- Bloomberg survey shows OPEC production cut for January 840000 mb
- OPEC pumped 32.3 million barrels a day in January (Bloomberg Survey)

Events to watch

Upcoming data	Country	Time	Previous	Expected
Non-Farm Employment Change	US	1900	156k	170k
Average Hourly Earnings m/m	US	1900	0.40%	0.30%
Unemployment Rate	US	1900	4.70%	4.70%
ISM Non-Manufacturing PMI	US	2030	57.2	57
Factory Orders m/m	US	2030	-2.40%	1.5

LME warehouse summary (in ton)

Metal	Change in stocks	Change in CW
Aluminium	-6875	-6875
Copper	-1350	1575
Nickel	-522	-258
Lead	325	100
Zinc	-1625	-1575

Macro

The Philippines announced mine closures and suspensions as the top nickel exporter pressed on with a crackdown.

The global copper market could swing to a deficit should workers strike at BHP Billiton Ltd.'s Escondida,

American manufacturers grew in January at the fastest pace in more than two years

The world's factory sectors made a decent start to 2017 China's

factories kept growing, Japan's picked up too, while the euro zone enjoyed its strongest month in almost seven years. France, Germany, Austria, Sweden and the Netherlands all did well.

Base metals

- Base metals largely traded directionless, with Zinc lead and copper declining for the day while Nickel continue to rise on news from Philippines and Aluminum consolidated after falling in the previous session.
- Three-month copper, which surged on Tuesday to the highest close since June 2015 was down more than a percent to trade under \$5900/ton at LME. It made an intraday low of \$5853, while the day's high was \$5975. Inventories monitored by LME declined shaded 1350 tones while cancelled warrants saw a jump of 1575 tones.. LME stocks have been gradually falling from a mid-December peak of 345,475 tonnes; they currently total 259,500 tonnes.
- Workers at Escondida voted against the latest wage offer midweek, opening the door for a strike although BHP has said it may request more talks, A stoppage at Escondida would remove about 24,000 tons a week

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- The potential stoppage at Escondida coincides with an interruption to supplies from Indonesia's Grasberg; the world's second-biggest mine, where exports of concentrate have been halted amid a dispute between Freeport-McMoRan and Government.
- 3M Zinc prices remained under pressure for the second straight day, with US dollar weakening to lowest level in 2 months. The metal remains in daily range of \$2843-\$2879. The inventories declined 1625 tones and cancelled warrants declined by 1575 tones.
- Three-month nickel futures rallied more than 2 percent to \$10,490 a ton on the London Metal Exchange, after gaining 14 percent last year. Nickel has jumped about 10% in past 5 sessions,
- The Philippines announced mine closures and suspensions as the top nickel exporter pressed on with a crackdown, saying miners affected by the move accounted for as much as half of the nations nickel totals output. The Southeast Asian nation accounts for about a quarter of global mined nickel supply, with most cargoes going to China.
- Inventories declined by 522 tons while cancelled warrants declined by 258 tones. The environmental crackdown contributed to a decline in mined nickel volumes last year. Nickel output contracted 23 percent to 24.7 million dry tons,
- Three-month Lead at the time of writing was trading 0.75% lower at \$2322/tonne. The backwardation is replaced by contango, with spot prices are in discount of \$3. Both lead stocks and cancellations are up 325 tones and 100 tonnes .
- 3M Aluminum continue to remain firm of Thursday, the daily range was between \$1826- \$1815 per tonne. Inventories and cancelled warrants were both down by 6875 tonnes.

Outlook: We expect underlying sentiment to remain mildly bearish with extreme volatility as china is absent till 3rd February from the market celebrating the Lunar year holiday. While market will get push from the New US regime, which will continue to unveil new policies and drive the markets. Many Asian participants will be absent - metals markets are likely to see a notable thinning of liquidity in this period.

Copper on MCX could face headwinds at Rs.408 /kg area while price to gain support at Rs.390

Aluminum would find it tough to climb above Rs 127/kg test and could trade lower to 120 levels.

Zinc could face headwinds at Rs.195 while price to gain supports at Rs.187 area

Lead could find support at 153. While rally could face headwind around Rs.161 area.

Nickel is likely to remain range bound with downward bias. Support remain at Rs 660/kg while resistance at RS 720/kg.

Bullions

- Gold for April delivery on the Comex division of the New York Mercantile Exchange rose to a session peak of \$1,227.15 a troy ounce, the most since November 17, The Fed held interest rates steady as expected on Wednesday, in its first meeting since President Donald Trump took office.
- The U.S. central bank painted a relatively upbeat picture of the economy, noting that job gains remained solid, inflation had increased and economic confidence was rising, although it gave no firm signal on the timing of its next rate move
- ISM manufacturing in January showed 56, indicating that US economy carried along the strong growth momentum from past year. Expansion of output volumes, new orders accelerated to a 28-month high, and January saw the fastest rise in input costs since September 2014.
- The US manufacturing sector has started 2017 with strong momentum. Despite exports being subdued by the strong dollar, order books are growing at the fastest pace for over two years on the back of improved domestic demand
- Dollar index which measure USD strength against 6 major peers dropped to 99.20 levels, lowest since November 14, which has largely supported the yellow metal.
- Indian Bullion Trader Association said that Indian imports of yellow metals have declined 70% from a year earlier. The imports in January are expected to be just above 2 metric tons against the 9.7 mt in 2016.

Outlook: Given the lack of any details about Trump's future economic policy plans, the U.S. Federal Reserve will probably bide its time before implementing any further monetary policy measures. The precious metal has got plenty of headwinds in the medium-term. The outlook for rate hikes in the U.S. will be the biggest driver of gold prices in 2017. With volumes currently soft and market positioning lightened, gold should continue to push higher and test a move back above \$1,220 over the short term, while price will find support at \$1165, before sinking further.

We expect gold to remain in broad range of \$1200 - \$1235 for the ongoing week with \$1235 remains the crucial resistance. MCX gold prices continued to follow international gold prices and it looks to trade in the broader range of 28650-29250, while in silver we expect prices to fall further down to 41800-43000.

Energy

- Crude oil at NYMEX continued to trade around \$54, it made an intraday high of \$54.32. while a day earlier future settled settling 1.5% higher as supply cuts from OPEC and Russia countered the biggest increase in U.S. stockpiles in three months
- The Organization of Petroleum Exporting Countries cut output by 840,000 barrels a day last month, according to a Bloomberg survey, while Russia said it reduced production by 117,000
- Oil has fluctuated above \$50 a barrel since 11 nations including Russia last month joined with OPEC to trim supply
- While for the week ending 27th January, EIA inventories jumped by 6.5mb along with gasoline and distillate supplies. Total reserves remain At 494.8 million barrels
- Refineries operated at 88.2% of their operable capacity last week. Gasoline production increased last week, averaging 9.1 million barrels per day. Distillate fuel production increased last week, averaging 4.7 million barrels per day
- Total motor gasoline inventories increased by 3.9 million barrels last week and Distillate fuel inventories increased by 1.6 million barrels last week
- Saudi Arabia, Kuwait and Algeria have said they've cut output this month by even more than was required, while Russia said it's also curbing production faster than was agreed.
- Russia reduced oil output by 117,000 barrels a day last month, putting it ahead of schedule to fulfill its agreement with OPEC. Russia pledged in December to gradually reduce supply by as much as 300,000 barrels a day from a post-Soviet high of 11.23 million in October.

Outlook: Concerns about the impact of rebounding U.S. oil production are likely to limit oil's ability to rise too quickly, even as the global supply/demand balance tightens.

NYMEX crude oil finds first weekly supports at \$50/b, while the resistance remains at \$54/b. At MCX Crude is expected to trade in the range of Rs.3500 - Rs.3705/- per barrel for the ongoing week unless we see some news on supply disruption or voluntary production cuts.

Natural Gas prices finds support remains at 205. For the current week expectations of firm winter is gaining traction, in the North America the prices can further inched up to 227/bcf levels for the week.

Major Events						
Previous data snapshot	Country	Time	Previous	Expected	Actual	Impact
Unemployment Claims	US	1900	251K	259K	246K	Decline in claims for unemployment will support economy as well as base metals
Prelim Nonfarm Productivity q/q	US	1900	3.10%	1%	1.30%	Productivity declines is negative for metals
Prelim Unit Labor Costs q/q	US	1900	0.70%	2.30%	1.70%	
Natural Gas Storage	US	2100	-119	-82	-87	Supportive for nat gas prices as inventories have declined more than forecast data.

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