

Commodity Morning View

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Crude oil slide as US President push for Negotiation with Iran

Key Points

- Asian market witness broader commodities sell-Off
- Chinese RatingDog Mfg Index expands in January
- Natural Gas plunge on milder weather in US
- US ISM Mfg in focus

Events to Watch

Date	Region	Event	Time	Prior	Surv(M)
02-Feb	GE	HCOB Germany Manufacturing PMI	14:25	48.7	48.7
02-Feb	EC	HCOB Eurozone Manufacturing PMI	14:30	49.4	49.4
02-Feb	US	S&P Global US Manufacturing PMI	20:15	51.9	52
02-Feb	US	ISM New Orders	20:30	47.7	--
02-Feb	US	ISM Employment	20:30	44.9	--
02-Feb	US	ISM Manufacturing	20:30	47.9	48.5

Macro

- The DJIA, the S&P500, and the Nasdaq Composite Index fell 0.4%, 0.4%, and 0.9% respectively. For the week, the DJIA fell 0.4%, the S&P500 rose 0.4%, while the Nasdaq Composite Index fell 0.2%.
- The Dollar Index rebounded 0.7% to 96.99 last Friday but fell 0.6% for the week, the US 2Y yield fell 4bp to 3.52% last Friday and fell 7bp for the week. The US 10Y yield was flat last Friday at 4.24% and was just 1bp higher for the week. The UK 10Y yield edged up 1bp to 4.52% last Friday and was just 1bp higher for the week.
- Brent crude oil prices were flat last Friday at USD70.69 but rose 7.3% for the week. It has risen by 16.6% so far this year. Gold fell 9% to USD4,894 last Friday and went down 1.9% for the week. Silver plunged by 26.4% to USD85.20 last Friday and went down 17.4% for the week. Year-to-date, gold and silver are still up by 13.3% and 18.9% respectively.
- US President Trump nominated Kevin Warsh to replace Fed Chair Powell, a choice seen by markets as supporting a more disciplined and cautious approach to easing. Positive for USD
- US producer prices rose 0.5% in December, surpassing expectations. Services rebounded and nonferrous metals surged, while diesel fell. Core PPI climbed 0.7%. Annual inflation remained at 3%, and core inflation increased to 3.3%, both above forecasts. Positive for USD
- China's Manufacturing PMI fell to 49.3 in January 2026 from 50.1, which means factory activity weakened. New orders dropped, production slowed, and foreign demand decreased. Costs for raw materials rose faster, selling prices went up, and business confidence reached its lowest level in six months. Broadly negative for industrial commodities
- However, another reading showed the PMI rising to 50.3, the fastest growth in three months, helped by stronger output and more new orders, especially from Southeast Asia. But metal prices increased sharply, causing companies to raise their selling prices for the first time since November 2024. Even though activity improved, business confidence still fell to a nine month low due to rising costs.

Weekly Key Events

Key upcoming data from Europe includes the preliminary January Eurozone CPI due on 4 February, ahead of the ECB policy meeting. In Japan, political attention will intensify as the country enters the final week of campaigning before the 2026 general election on 8 February. Across major developed economies, several important releases are expected, including the final private sector manufacturing PMI readings, UK January housing prices, German December retail sales, and notably, the US ISM manufacturing survey for January, which Bloomberg estimates at 48.5 (up from 47.9 in December), with the price paid sub index projected to rise to 59.4 from 58.5.

Base metals

- The broader sell off in industrial commodities continued on Monday, despite China's Ratingdog index showing expansion in business activities during January with headline reading at 50.3.
- China's most active futures closed broadly lower, with silver, platinum, palladium and tin hitting limit-down. Gold fell over 11%, nickel over 8%, copper and LME copper over 7%, aluminum and SC crude over 6%, aluminum alloy, fuel oil and zinc over 5%, and stainless steel, BR rubber, freight index (Europe route), lithium carbonate, LPG and low-sulfur fuel oil over 4%. Caustic soda rose more than 1%.
- LME copper dropped 3.3% to \$12,722 a ton after hitting a record above \$14,500 last Thursday and briefly falling below \$13,000 on Friday. The market appears to be resisting elevated prices, and with fundamentals detached from current valuations, further gains remain possible if investment inflows continue.

Base Metals Monitor

Exchange	Commodity	Expiry	30-Jan-26	Daily Change	Daily % Change	29-Jan-26
LMEX	LMEX	-	5499	-116	-2.07%	5615
LME	Aluminium (\$)	-	3144	-74	-2.30%	3218
LME	Copper (\$)	-	13157	-461	-3.39%	13618
LME	Lead (\$)	-	2009	-8	-0.40%	2017
LME	Nickel (\$)	-	17954	-415	-2.26%	18369
LME	Zinc (\$)	-	3402	-10	-0.29%	3412
MCX	Aluminium	Feb	313	-29.8	-8.69%	342.8
MCX	Copper	Feb	1293	-118	-8.36%	1411
MCX	Lead	Feb	191.35	-10.65	-5.27%	202
MCX	Nickel	Feb	1332	0	0.00%	1332
MCX	Zinc	Feb	322	-19.5	-5.71%	341.5

Outlook:

Industrial commodities are finally cooling after January's speculative surge, which had pushed prices beyond fundamentals due to fears of supply disruptions and geopolitical tensions in the Middle East, along with support from a softer USD. However, China—responsible for half of global industrial metal demand—is signalling a slowdown in 2026, limiting support for a continued metals rally. As a result, we anticipate a further 5-7% decline across the base metals complex.

Bullions

Bullion Daily Change

Exchange	Commodity	Expiry	30-Jan-26	Daily Change	Daily % Change
Comex	Gold (\$)	Spot	4894	-481	-8.95%
Comex	Silver (\$)	Spot	85.19	-30.5	-26.36%
MCX	Gold	April	152345	-33097	-17.85%
MCX	Silver	Mar	291925	-109395	-27.26%
Ratio	Goldsilver ratio	-	57.45	10.99	23.65%
Rupee	USDINR	-	91.990	0.00	0.00%
Dxy	Dollar Index	-	96.99	0.71	0.74%
Bond	US-10 T.Yield	-	4.25	0.02	0.47%

- The bullion selloff continued on Monday in Asian markets, following what is said to be initially triggered by President Trump's nomination of former Fed Governor Warsh as the next Fed Reserve Chair (which supposedly eased concerns about US central bank independence and sent the USD appreciating) but gained rapid momentum in the US noon trading as investors rushed for the exit. Gold fell -12%, the biggest intraday decline since early 1980's. By the end of Fri, gold price fell by a massive US\$ 481.01 (-8.9%) to US\$4,894.23/ troy ounce. Silver plunged as much as -36%, a record intraday decline before it settled lower by a huge US\$30.50 (-26.4%) to US\$85.1994/troy ounce while the silver futures was slammed lower by 31.4% to US\$78.53, the worst decline in a day since Mar 1980. Despite this, it's set for a monthly gain over 30% due to uncertainties, a weaker dollar, and strong demand.

Outlook:

Gold and silver saw profit-taking as prices realigned with fundamentals, following a rally driven largely by speculation. Geopolitical tensions intensified after Trump imposed tariffs on Cuba's oil suppliers and called for nuclear discussions with Iran. We have raised our 2026 full-year gold target to \$6,000, as these geopolitical developments increase economic and currency-debasement risks. Silver, however, is showing signs of fatigue and may not sustain its rally in the long term, with gold expected to outperform this year.

Gold: Support at \$4400. Resistance is at \$4800

Silver: Support at \$70; Resistance at \$85.

Energy

Energy Price Monitor

Exchange	Commodity	Expiry	30-Jan-26	Change	Daily % Change	29-Jan-26
Nymex	Crude (\$)	March	65.21	-0.21	-0.32%	65.42
Nymex	Natural gas (\$)	Feb	4.35	0.44	11.25%	3.91
MCX	Crude	Feb	5930	-95.00	-1.58%	6025
MCX	Natural gas	FeB	390	38.70	11.02%	351.3

- WTI crude fell nearly 3% to \$63 per barrel Monday after Trump talked of serious negotiations with Iran. Previous price rallies stemmed from US-Iran tensions, Strait of Hormuz concerns, and geopolitical issues in Venezuela, Kazakhstan, and Russia.
- The latest forecasts point to warmer weather across the US this week, which is expected to soften natural gas demand. At the same time, production should recover from last week's severe Arctic conditions that reduced output by more than 20%. We expect natural gas prices to ease toward ₹300 this week.

Outlook:

The US President's push for negotiations with Iran has reduced the immediate likelihood of military action. However, oil prices are expected to retain a risk premium as tensions remain unresolved. Any strike on Iran could trigger a 10-15% surge in crude prices. With US military presence surrounding Iran, the probability of direct conflict remains elevated. If the situation escalates across the region, WTI could quickly move toward \$80. In the near term, WTI is expected to trade within a \$58-\$70 range.

Daily Price Monitor

Exchange	Commodity	Expiry	Daily trading range	Trend
MCX	Aluminium	Feb	290-310	Sell on rise
MCX	Copper	Feb	1135-1250	Sell on rise
MCX	Lead	Feb	188-201	Sell on rise
MCX	Nickel	Feb	2200-2200	Sell on rise
MCX	Zinc	Feb	310-325	Sell on rise
MCX	Gold	Apr	135000-147000	Buy on dips
MCX	Silver	Mar	235000-275000	Sell on rise
MCX	Crude	Feb	5600-5950	Sell on rise
MCX	Natural gas	Feb	300-385	Sell on rise
Comex	Gold	Spot	\$4400-\$4800	Buy on dips
Comex	Silver	Spot	\$72-\$85	Sell on rise
Nymex	Crude oil	Mar	\$59-\$65	Sell on rise

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