

Commodity Morning View

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Geo-political risk heightened after US threatens to strike Iran

Key Points

- Gold surpasses \$5500
- The Geo-political development drives precious metals
- FOMC keep rate unchanged
- Base metals rallies amid supply chain risk due to geo-political threats
- US Crude production edge lower

Events to Watch

Date	Region	Event	Time	Prior	Surv(M)
29-Jan	US	Nonfarm Productivity	19:00	4.90%	4.90%
29-Jan	US	Unit Labor Costs	19:00	-1.90%	-1.90%
29-Jan	US	Initial Jobless Claims	19:00	200k	205k
29-Jan	US	Trade Balance	19:00	-\$29.4b	-\$44.1b
29-Jan	US	Factory Orders	20:30	-1.30%	1.60%
29-Jan	US	Durable Goods Orders	20:30	5.30%	--
29-Jan	US	Factory Orders Ex Trans	20:30	-0.20%	--

Macro

- FOMC REVIEW: After three consecutive interest rate cuts, the Federal Reserve left interest rates unchanged today, The Fed maintained rates at 3.5%-3.75% in its meeting for January 2026 after last year's cuts. Governors Miran and Waller wanted a 25bps cut instead. Economic growth is steady, with low job gains and stable unemployment amid high inflation. The Fed will monitor data for future rate changes. Chair Powell stated current rates support goals as the economy enters 2026 strongly. Positive for USD.
- The DJIA and the S&P500 closed flat while the Nasdaq Composite Index edged up 0.2%. The Eurostoxx 50 fell 1%. The Dollar Index edged up 0.2% to 96.45 and EUR-USD fell 90 pips to 1.1950. The US 2Y yield closed unchanged at 3.57% and the US 10Y yield was also unchanged at 4.24%. The German 10Y yield dipped 2bp to 2.86%. The UK 10Y yield gained 2bp to 4.54%. Brent crude oil prices rose 1.2% to USD68.40. Gold rallied 4.6% to USD5,417, fuelled by safe-haven flows
- International Gold surged to a record above \$5,500 an ounce, earlier hitting \$5,596, as US dollar weakness and a broader flight from sovereign bonds and currencies extended a rally that saw bullion jump up to 3.2% early after a 4.6% leap—the biggest one-day gain since March 2020—while silver also set a record-breaking above \$119. Sentimentally positive for gold loan stocks.
- Data watch: we get the final real readings for US Q3 non-farm productivity and unit labour costs, initial jobless claims, trade deficit, factory orders, and the final reading for November durable goods orders.

Base metals

- Base metals advances on Thursday on growing geo-political risk with US all geared up to attack Iran, that could destabilise the major shipping route from middle east and affect the supplies of industrial commodities.

- Middle east accounts around 20% of global aluminium output, the weakness in Dollar index, the ongoing fear of Iran-US clash is also providing support to metals.
- The demand side fundamentals still signal a softer consumption of metals ahead, with China's economy missing the GDP target in Q4, retail sales barely growing and Real estate continued to remain in contraction for 2025. Supply side of metals remains ample with readily available copper inventories have been inching higher throughout this week's squeeze, last week inventories surged 7.6% following sizable inflows into Shfe US and Asia. Base metal inventories across global warehouses over the past two months.
- At the same time, China's December industrial production remained resilient: copper output grew 9% y/y to 1.326 million tons, lead production rose 5.3% to 719,000 tons, zinc output increased 11% to 675,000 tons, and alumina output expanded 6.7% to 8 million tons. In contrast, crude iron ore production declined 4.4% y/y to 79.35 million tons.
- Once the froth of geopolitical risk surpasses we may see correction in base metals as metal demand is expected to stay muted as copper, zinc, lead, and aluminium remain in contango, signalling oversupply and weak consumption. While pre-Lunar New Year restocking may offer brief support, overall demand remains soft amid slowing global manufacturing and high inventories. Short term positioning may lift prices slightly, but oversupply and subdued demand keep the outlook cautious.

Base Metals Monitor

Exchange	Commodity	Expiry	28-Jan-26	Daily Change	Daily % Change	27-Jan-26
LMEX	LMEX	-	5501	46	0.84%	5455
LME	Aluminium (\$)	-	3257	50	1.56%	3207
LME	Copper (\$)	-	13086	80	0.62%	13006
LME	Lead (\$)	-	2017	-3	-0.15%	2020
LME	Nickel (\$)	-	18270	101	0.56%	18169
LME	Zinc (\$)	-	3364	13	0.39%	3351
MCX	Aluminium	Feb	332.75	13.8	4.33%	318.95
MCX	Copper	Feb	1322	13	0.99%	1309
MCX	Lead	Feb	196.4	5.15	2.69%	191.25
MCX	Nickel	Feb	1332	0	0.00%	1332
MCX	Zinc	Feb	333.7	9.7	2.99%	324

Outlook:

The heightened geo-political risks a major supply disruption threat to industrial commodities from the middle eastern route, that has pushed metals higher in todays sessions as US is planning to attack Iran, which could jeopardise the "Strait of Hormuz". These factors could offer temporary strength despite overall tepid consumption trends.

Bullions

Bullion Daily Change

Exchange	Commodity	Expiry	28-Jan-26	Daily Change	Daily % Change
Comex	Gold (\$)	Spot	5417	237	4.58%
Comex	Silver (\$)	Spot	116.69	4.69	4.19%
MCX	Gold	April	177951	9751	5.80%
MCX	Silver	Mar	386530	30730	8.64%
Ratio	Goldsilver ratio	-	46.42	0.17	0.37%
Rupee	USDINR	-	91.920	0.32	0.35%
Dxy	Dollar Index	-	96.44	0.23	0.24%
Bond	US-10 T.Yield	-	4.24	0	0.00%

- Gold surged to an all-time high above \$5,500/oz, extending a breakneck rally fuelled by US dollar weakness and expectations the next Fed Chair will pursue further monetary easing. Bullion surged as much as 3.2% in early trading on Thu, building on a 4.6% gain in the previous session, to see its biggest one-day gain since the height of the COVID-19 pandemic in Mar 2020.

Outlook:

The renewed geo-Political risk HIGHTENED as Trump is considering a major strike after early talks between the US and Iran over limiting the country's nuclear program failed to advance. We upgrade our full year target for gold prices to \$6000 for 2026, as the geo-political development possess a greater economic and currency debasement risk, while silver rally is somewhat showing sign of exhaustion and may not look sustainable in long run, but gold will outperform silver this year.

Gold: Support at \$5250. Resistance is at \$5700.

Silver: Support at \$105; Resistance at \$125..

Energy

Energy Price Monitor

Exchange	Commodity	Expiry	28-Jan-26	Change	Daily % Change	27-Jan-26
Nymex	Crude (\$)	March	63.21	0.82	1.31%	62.39
Nymex	Natural gas (\$)	Feb	3.73	0.08	2.19%	3.65
MCX	Crude	Feb	5808	99.00	1.73%	5709
MCX	Natural gas	FeB	344.2	-7.80	-2.22%	352

- Oil prices climbed on Wed, after US President Donald Trump warned Iran that a "massive Armada" is heading in its direction and time is running out to make a deal on its nuclear program. Global benchmark Brent rose 83 cents, or 1.23%, to close at \$68.40/bbl. US crude oil gained 82 cents, or 1.31%, to settle at \$63.21/bbl.
- Weather conditions in the US and Canada have recently turned milder, which may ease natural gas demand. However,

US output has been significantly affected, likely slowing the replenishment of gas inventories and keeping downside pressure limited in the near term. Front month US natural gas (March) rose 2.3% to \$3.732 per million Btu after a volatile session that saw prices drop to \$3.579 in early Asian trading. We expect moderated prices, though depleted inventories will continue supporting the market unless colder weather returns quickly.

Outlook:

The risk premium in crude oil surged as US military has surrounded Iran from all the sides, and we expect higher chances of a direct conflict in US-Iran at any point of time from here. WTI prices could see surging towards \$80 in short span if the conflict escalated into the larger part of the region. Additionally, the Arctic blast, which has cut production by an estimated 5-9 mb is also lending support. In the short run, WTI is expected to trade within a \$60-\$70 range. However, the longer term outlook is bearish, with prices projected to decline toward \$52/bbl.

Daily Price Monitor

Exchange	Commodity	Expiry	Daily trading range	Trend
MCX	Aluminium	Feb	322-340	Buy on dips
MCX	Copper	Feb	1320-1400	Buy on dips
MCX	Lead	Feb	188-201	Buy on dips
MCX	Nickel	Feb	2200-308	Buy on dips
MCX	Zinc	Feb	325-342	Buy on dips
MCX	Gold	Apr	175000-195000	Buy on dips
MCX	Silver	Mar	375000-420000	Buy on dips
MCX	Crude	Feb	5750-6200	Buy on dips
MCX	Natural gas	Feb	320-450	Sell on rise
Comex	Gold	Spot	\$5250-\$5700	Buy on dips
Comex	Silver	Spot	\$105-\$121	Buy on dips
Nymex	Crude oil	Mar	\$59-\$64	Buy on dips

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