

December 7, 2023

Daily Currency & Commodities Outlook

Daily Recommendations

Commodity/Index	Expiry	Action	Entry	Target	Stop Loss	Time Frame
Gold Mini	January	Buy	61950-62000	62650	61750	Intraday
EURINR	December	Sell	90.00-90.02	89.60	90.20	Intraday

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News and Developments

- Spot gold edged higher on Wednesday after declining more than 2% this week amid weakness in the US treasury yields and weaker than expected US ADP Non-Farm payroll numbers. Last month private sector employment increased by 103k against market forecast of 131k. Slower pace of hiring in November, with manufacturers reducing headcounts has indicated moderation in the job growth.
- The 10-year treasury yields dropped to 4.12%, where as 2-year treasury yields remained near 4.60%. The US dollar index remained steady near the 104 mark ahead of the key Job number on Friday.
- The CME Fed-watch tool indicates more than 55% probability of rate cut in March 2024, where as rate hike probability in December remained almost zero.
- Crude oil futures lost the most on Wednesday amid bigger than expected rise in US gasoline inventories. The weekly EIA data reported a rise of 5.4M barrels against expectation of 1.4M barrels drop. Higher gasoline inventories outweighed the decline in crude oil inventories. Weekly EIA crude oil inventories dropped by 4.6M. Further, concerns over economic health of China also weighed on the prices.
- Copper futures extended its weakness for a third day in a row after Moody's cut its outlook on China's credit ratings to negative from stable. Sluggish growth in the manufacturing sector and deepening property crisis in China has weighed on the red metal to hit the lowest level in last 2 weeks. Further announcement from the Chile's Government to increase the copper production by 20% with in next 2 years also weighed on the metal.
- NYMEX Natural gas futures lost more than 4% yesterday and hit the lowest level in 3 months amid record gas production and forecasts of mostly mild weather in US.

Price Performance

Commodity	LTP (₹)	Change	LTP (\$)	Change
Gold	62440	-1.43%	2025.55	0.31%
Silver	74831	1.20%	23.90	-1.07%
Copper	708.4	-0.65%	8286.00	-0.58%
Aluminium	196.4	-1.13%	2148.50	-0.53%
Zinc	218.9	0.09%	2428.50	0.29%
Lead	182.6	-0.14%	2029.00	-1.10%
WTI Crude Oil	5820	-4.28%	69.38	-4.07%
US Nat Gas	215.0	-5.70%	2.57	-5.20%

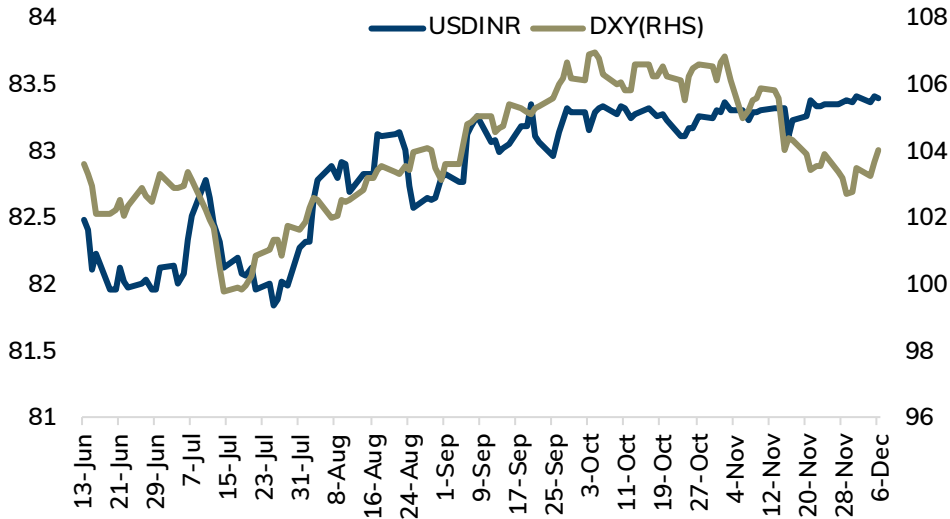
Domestic Currencies

Futures	Close	% Change	Open Interest	Change in OI	Volume	Change in Vol
USDINR (27th Dec)	83.37	-0.03%	4224835	-318257	1499092	119707
EURINR (27th Dec)	90.03	-0.42%	156166	-15525	161982	-35679
GBPINR (27th Dec)	104.99	-0.39%	252339	-5902	144745	-17222

Daily Strategy Follow-up

Commodity/Index	Expiry	Action	Entry	Target	Stoploss	Comment
Copper	December	Sell	717-718	710	721	Target Achieved
GBPINR	December	Buy	105.08-105.10	105.50	104.90	Exit in loss

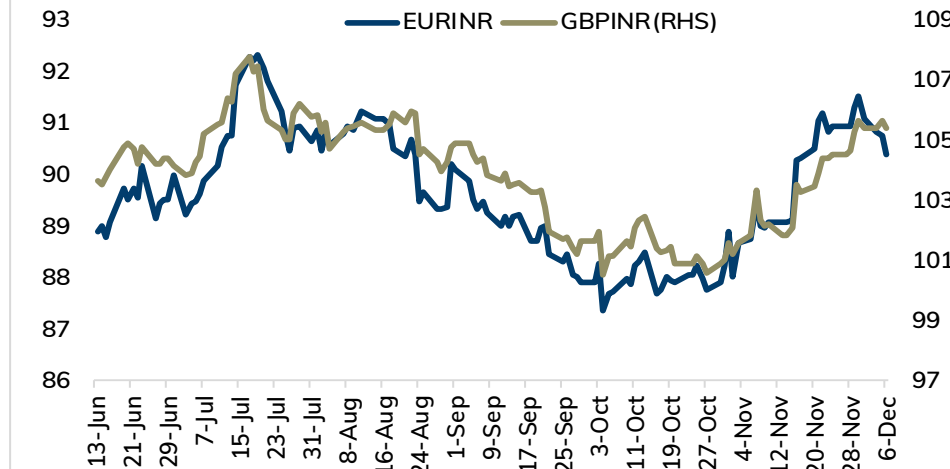
Dollar Index vs. US\$INR



Rupee Outlook

- Rupee appreciated yesterday amid rise in risk appetite in the domestic markets and sustained foreign fund inflows. Further, softening of crude oil prices supported domestic currency
- Rupee is likely to appreciate today amid expectation of correction in dollar and softening of US treasury yields. Yields are extending their fall as report showed US private payrolls increased less than expected in November, another sign that labor market is gradually cooling. Slew of disappointing economic data along with dovish commentary from Fed officials have bolstered expectations that US Fed will end its rate hike cycle and may start cutting rates as soon as March. Additionally, rupee may gain strength on decline in crude oil prices and optimistic domestic market sentiments. USDINR may slip to 83.30 level as long as it stays below 83.50 levels

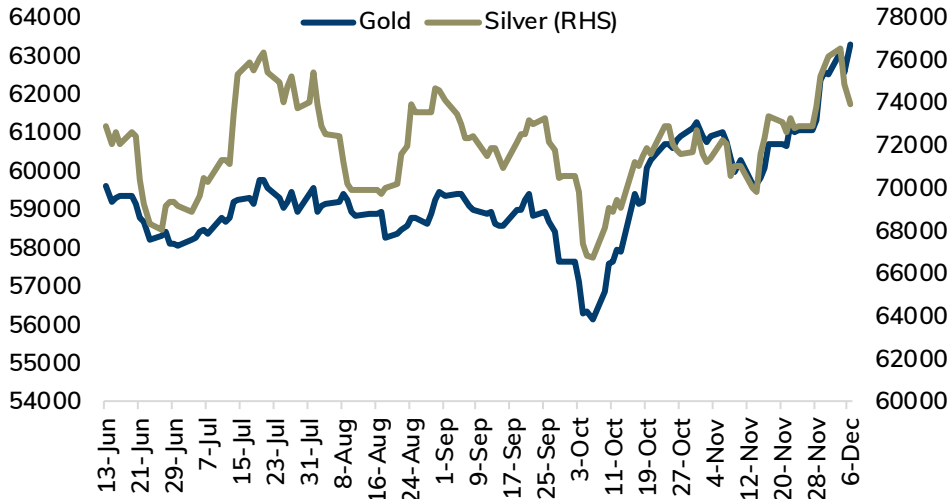
EURINR vs. GBPINR



Euro and Pound Outlook

- Euro slipped by 0.30% yesterday on the back of firm dollar and risk aversion in the domestic markets. Further, weaker than expected euro zone retail sales and German factory orders added downside pressure on euro. For today, EURUSD is likely to slip further towards 1.0700 levels as long as it stays below 1.080 levels on disappointing economic data from euro zone. Further, single currency may plunge on expectations that ECB will hold rates steady in December meeting and begin cutting rates as soon as March 2024. EURINR may slip towards 89.60 as long as it trades below 90.20 levels
- Pound is likely to move back towards 1.2600 level on expectation of improved economic data from Britain. Further, BOE governor Andrew Bailey said "rates are likely to need to remain at these levels for an extended period to bring inflation back to target on a sustained basis." GBPINR is likely to move higher towards 105.20 level as long as it stays above 104.70 levels

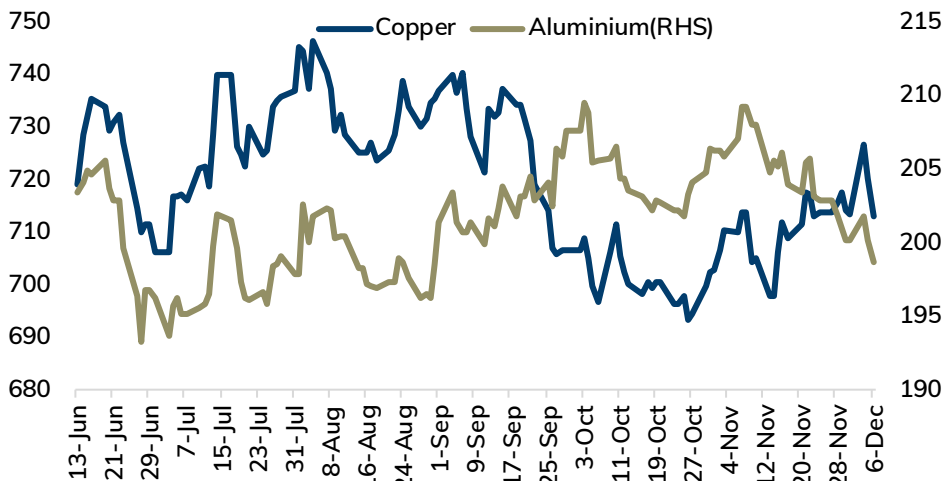
MCX Gold vs. Silver



Bullion Outlook

- Gold is expected to move in a tight range of \$2010-2045 with positive bias amid growing probability of end to the Fed's rate hike cycle. Further, weaker job growth numbers and expectation of increasing weekly jobless claims data could also support the bullions to hold its gains above the \$2010 mark. Meanwhile, focus will remain on the Friday's Non-farm payroll numbers, which may bring more clarity on the Fed's future interest rate path. As per CME Fed-Watch toll probability of rate cut in March has remained steady near 56%.
- MCX gold February is expected to find support near 61800, and rebound towards 62700. Only close below 61,800 it would weaken towards 61,400.
- MCX silver is likely to find support near 74400 and rebound towards 75800. Only close below 74400, it would weaken further towards 73800.

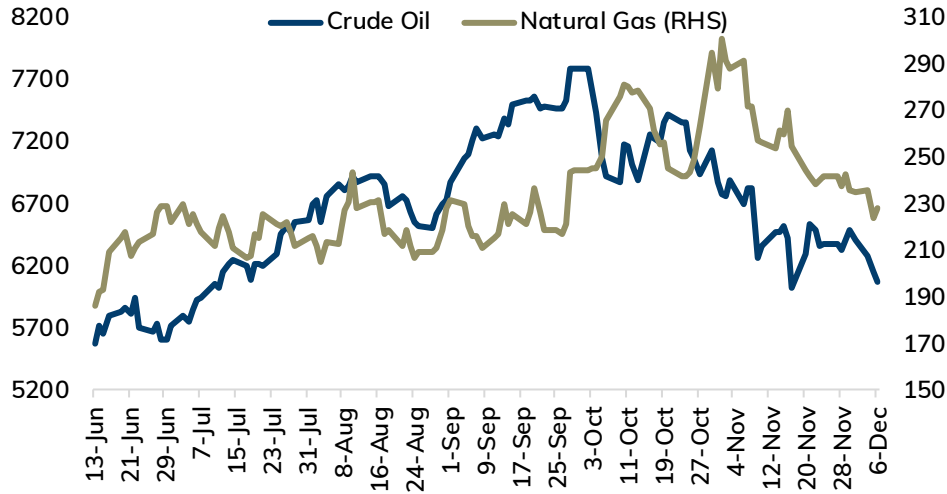
MCX Copper vs. Aluminium



Base Metal Outlook

- Copper prices are expected to trade with negative bias amid weaker global growth outlook and sluggish property market in the top metal consumer China. Contraction of manufacturing activity in Europe, US and slump in China's property market has been acting as a major factors for the metals demand outlook. Meanwhile investors will keep an eye on key economic numbers from Eurozone and Friday's US job report to get more clarity in price trend.
- MCX Copper December is likely to face the hurdle near 714 and move lower towards 704.
- MCX Aluminium December is expected to face the hurdle near 199 and move lower towards 195.

MCX Crude Oil vs. Natural Gas



Energy Outlook

- NYMEX Crude oil prices are expected to remain under pressure amid growing prospects that rising supply from Non-OPEC nations will offset the impact of the OPEC+ pledged cuts of 2.2M barrels a day. The US crude oil production remained at its highest level this year. Moreover, worries over cooling global economic activity and concerns over recovery in the Chinese demand would also weigh on crude oil prices.
- MCX Crude oil is likely to face the hurdle near 6050 and weaken further towards 5700. Only a move below 5700 would open the downside in price towards 5600.
- MCX Natural gas December futures is expected trade with a bearish bias and slip further towards 210, as long as it trades under 222. Meanwhile, investors will focus on the weekly inventory data to get more clarity on storage levels.

Daily Commodity Pivot Levels

Commodity	S2	S1	Pivot	R1	R2
Gold	62037	62238	62403	62604	62769
Silver	74146	74489	75093	75436	76040
Copper	700.8	704.6	710.8	714.6	720.8
Aluminium	194.4	195.4	197.1	198.0	199.7
Zinc	215.9	217.4	219.6	221.0	223.2
Lead	180.7	181.7	182.4	183.4	184.1
Crude Oil	5607	5713	5891	5997	6175
Nat Gas	204	209	220	226	236

Daily Currency Pivot Levels

Futures	S2	S1	Pivot	R1	R2
US\$INR (Dec)	83.30	83.34	83.37	83.41	83.45
US\$INR (Jan)	83.38	83.41	83.45	83.49	83.52
EURINR (Dec)	89.79	89.91	90.04	90.16	90.28
EURINR (Jan)	89.97	90.09	90.22	90.33	90.46
GBPINR (Dec)	104.79	104.89	105.05	105.14	105.30
GBPINR (Jan)	104.79	104.94	105.12	105.26	105.44
JPYINR (Dec)	56.59	56.68	56.80	56.89	57.01
JPYINR (Jan)	56.99	57.05	57.16	57.22	57.34

Key Parameters

Major Currency Pairs

Currencies	Close	Pvs. Close	% Change
DXY	104.15	104.05	0.10%
US\$INR	83.33	83.39	-0.07%
EURUSD	1.0764	1.0797	-0.31%
EURINR	89.91	90.32	-0.45%
GBPUSD	1.2560	1.2595	-0.28%
GBPINR	104.99	105.33	-0.32%

10 year government - Global Bonds Yields

Country	Close	Pvs. Close	Change
India	7.253	7.258	-0.005
US	4.104	4.165	-0.0609
Germany	2.200	2.247	-0.047
UK	3.943	4.025	-0.082
Japan	0.639	0.670	-0.031

US Crude Stocks Change (Barrels)

Release Date	Time (IST)	Actual	Forecast
12/6/2023	9:00 PM	-4.6M	-1.3M
11/29/2023	9:00 PM	1.6M	-0.1M
11/22/2023	9:00 PM	8.7M	0.9M
11/15/2023	9:00 PM	3.6M	2.5M
11/1/2023	8:00 PM	0.8M	1.5M
10/25/2023	8:00 PM	1.4M	-0.5M
10/18/2023	8:00 PM	-4.5M	-0.5M

LME Warehouse Stocks (Tonnes)

Commodity	Current Stock	Change in Stock	% Change
Copper	182075	1525	0.84%
Aluminium	443000	-3150	-0.71%
Zinc	218650	-2425	-1.10%
Lead	136100	4725	3.60%
Nickel	46368	156	0.34%

Economic Calendar

Date & Time (IST)	Country	Data & Events	Actual	Expected	Previous	Impact
Monday, December 04, 2023						
3:00 PM	Europe	Sentix Investor Confidence	-16.8	-15	-18.6	Medium
8:30 PM	US	Factory Orders m/m	-3.60%	-2.70%	2.80%	Medium
Tuesday, December 05, 2023						
7:15 AM	China	Caixin Services PMI	51.5	50.7	50.4	High
8:30 PM	US	ISM Services PMI	52.7	52.5	51.8	High
8:30 PM	US	JOLTS Job Openings	8.73M	9.33M	9.55M	High
Wednesday, December 06, 2023						
4:00 PM	UK	FPC Meeting Minutes	-	-	-	Medium
6:45 PM	US	ADP Non-Farm Employment Change	103K	120K	113K	High
9:00 PM	US	Crude Oil Inventories	-4.6M	-1.3M	1.6M	Medium
Thursday, December 07, 2023						
Tentative	China	Trade Balance	-	380B	405B	Medium
12:30 PM	Europe	German Industrial Production m/m	-	-0.10%	-1.40%	Medium
12:30 PM	UK	Halifax HPI m/m	-	0.30%	1.10%	Medium
7:00 PM	US	Unemployment Claims	-	221K	218K	High
9:00 PM	US	Natural Gas Storage	-	-	10B	Medium
Friday, December 08, 2023						
10:00 AM	India	RBI Interest rate decision	-	6.50%	6.50%	High
7:00 PM	US	Average Hourly Earnings m/m	-	0.30%	0.20%	High
7:00 PM	US	Non-Farm Employment Change	-	185K	150K	High
7:00 PM	US	Unemployment Rate	-	3.90%	3.90%	High
8:30 PM	US	Prelim UoM Consumer Sentiment	-	62	61.3	High
8:30 PM	US	Prelim UoM Inflation Expectations	-	-	4.50%	Medium

Source: Bloomberg, Reuters, ICICI Direct Research



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