

January 18, 2024

# Daily Currency & Commodities Outlook

## Daily Recommendations

Commodity/Index	Expiry	Action	Entry	Target	Stop Loss	Time Frame
Copper	January	Sell	715-715.50	708	719	Intraday
GBP/INR	January	Buy	105.30-105.32	105.70	105.10	Intraday

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## News and Developments

- Spot gold prices slipped more than 1% and fell to a more than 1-month low yesterday amid firm dollar and higher US treasury yields. Meanwhile, further downside was cushioned due to rise in demand for safe haven following mounting tension in Middle East
- Dollar remained firm yesterday as fresh economic data from US signaled economic strength, diminishing expectations for imminent rate cuts from US Federal Reserve
- US Retail sales rose 0.6% in December after an unrevised 0.3% gain in November. US industrial production rose 0.1% in December 2023 compared to the expectation of decline by 0.1%
- US Fed's "Beige Book" of economic activity showed the majority of the 12 districts reported little or no change since the prior period, while nearly all noted a cooling labor market
- As per CME Fedwatch tool, expectations for Fed to cut rate in March decline to 57.7% from 63.1% a day ago while, prospects of no rate cut increased to 41.1% from 34.9% a day ago
- Yield on benchmark US 10-year treasury note rose to 4.106% and 2-year treasury yield, which typically moves in step with interest rate expectations edged higher to 4.367%. Yields moved north after stronger than expected retail sales data lowered market expectations of rate cut in March by US Fed
- Crude oil prices edged higher yesterday as severe cold disrupted some U.S oil production. Additionally, tensions remained high in Red sea. However, sharp upside was capped amid strong dollar and risk aversion in the global markets
- Copper prices moved south amid firm dollar and worries over Chinese economic growth. More worrying were gloomy numbers about the property sector, such as property sales measured by floor area plunging 23% in December

Source: Bloomberg, Reuters, ICICI Direct Research

## Price Performance

Commodity	LTP (₹)	Change	LTP (\$)	Change
Gold	61505	-0.82%	2006.25	-1.09%
Silver	71456	-0.88%	22.56	-1.58%
Copper	713.3	-0.31%	8268.00	-1.04%
Aluminium	198.8	-1.17%	2178.00	-1.63%
Zinc	220.4	-1.98%	2466.00	-3.18%
Lead	180.4	-0.91%	2064.00	-1.90%
WTI Crude Oil	5972	-0.52%	72.56	0.22%
US Nat Gas	236.5	-2.95%	2.87	-1.03%

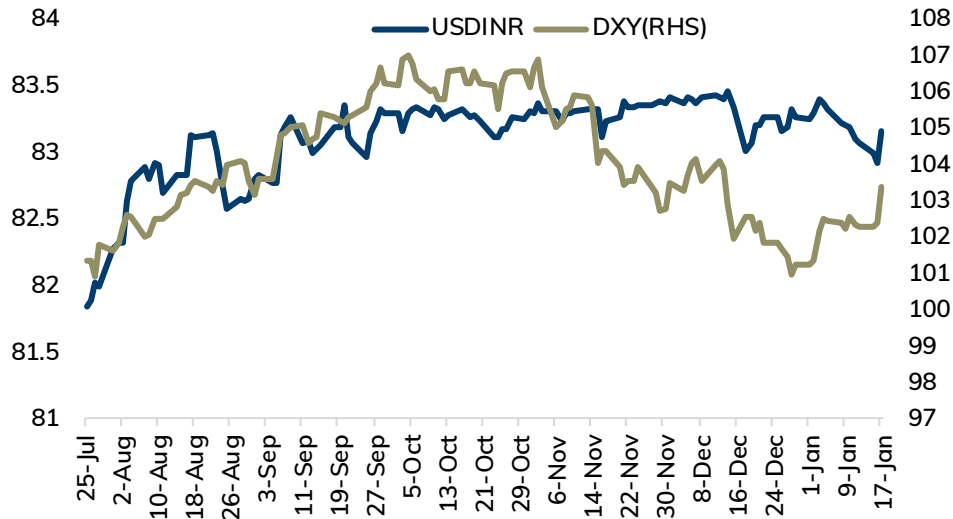
## Domestic Currencies

Futures	Close	% Change	Open Interest	Change in OI	Volume	Change in Vol
USDINR (29th Jan)	83.17	0.01%	3587347	-46170	2308158	-558906
EURINR (29th Jan)	90.49	-0.04%	171072	287	161695	1121
GBPINR (29th Jan)	105.46	0.42%	230521	-8885	308478	39963

## Daily Strategy Follow-up

Commodity/Index	Expiry	Action	Entry	Target	Stoploss	Comment
Natural gas	January	Sell	246-247	238	251	Not Initiated
USDINR	January	Buy	83.04-83.05	83.25	82.92	Not Initiated

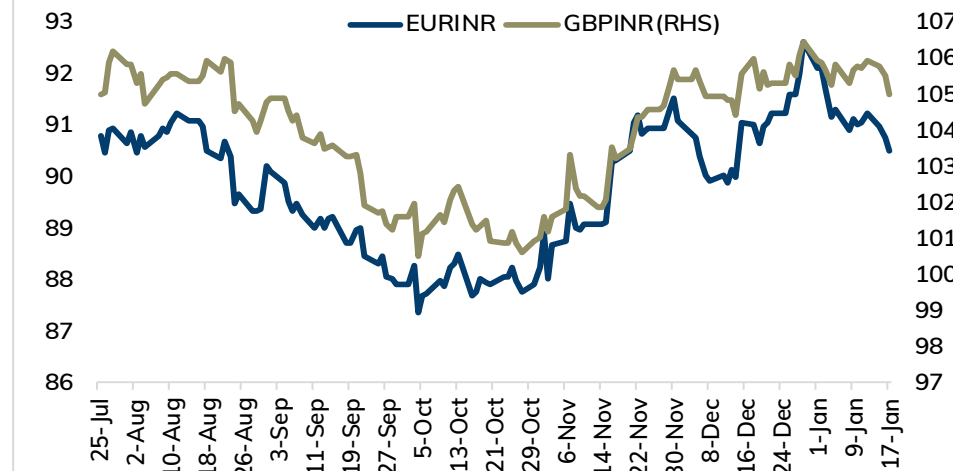
## Dollar Index vs. US\$INR



## Rupee Outlook

- Rupee depreciated from its 4-month highs amid strong rebound in the dollar. Improved economic numbers from US has diminished the expectation of early rate cuts from the Federal reserve.
- Rupee is likely to weaken further amid strong dollar and higher treasury yields. The dollar could find support amid better economic numbers from the US, which would force the Federal reserve to hold its rates higher for longer. Meanwhile, likely intervention from RBI and weakness in crude oil prices would limit the downside in the domestic currency. USDINR Jan is likely to consolidate in the range of 83.00-83.25. Only close above 83.25 would open the upside in the pair towards 83.40. Likewise, a move below 83.00 would test 82.80.

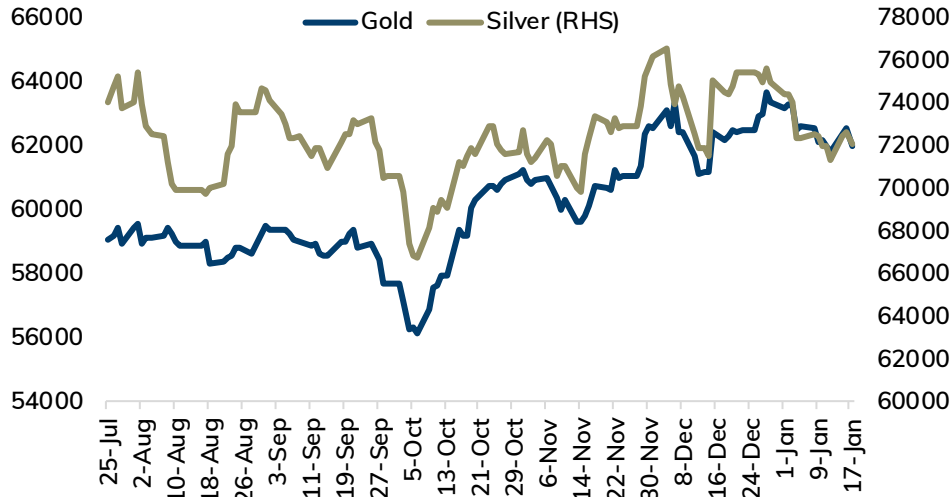
## EURINR vs. GBPINR



## Euro and Pound Outlook

- Euro remained under pressure yesterday amid strong dollar, The pair recovered most of its losses towards the end of session as comments from ECB president pushed back the odds ECB rate cuts in March to only 21%. The pair is expected to extend its rebound from its one month lows on expectation of hawkish ECB. For today, EURUSD is likely to rise towards 1.0940 level as long as it trades above 1.085. EURINR Jan could find support near 90.20 and rebound towards the immediate hurdle at 90.80.
- Pound reversed its losses and gained more than 0.30% yesterday after the inflation numbers marked 4%, dragging back the probability of rate cuts further. The pair is expected to hold the support at 1.26 and move back towards 1.2740. GBPINR Jan is likely to move north towards 105.80 level as long as it stays above 105.00 levels.

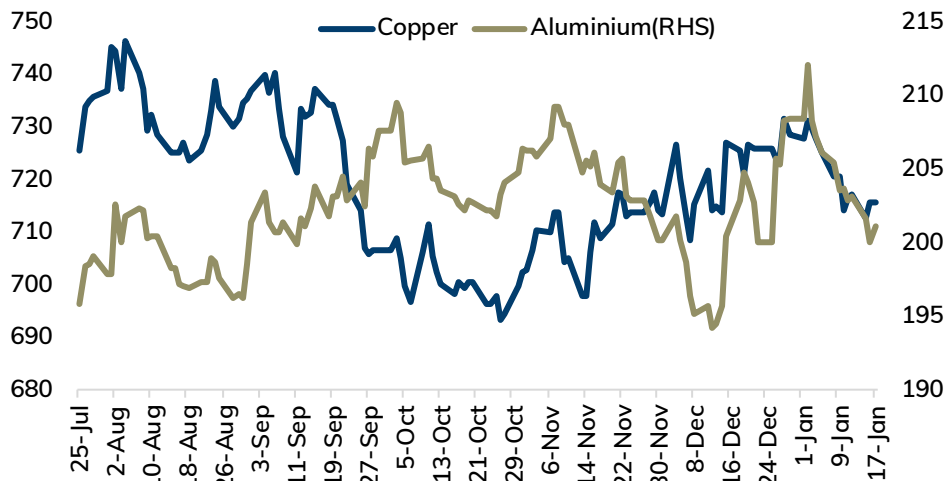
## MCX Gold vs. Silver



## Bullion Outlook

- Spot gold is likely to find the support near \$1995 level and re-bounce back to \$2025 level amid expectation of correction in Dollar and US treasury yields ahead of housing and job data. US Jobless claims data is likely to show that more number of people filled for unemployment benefits, signaling cooling labor market. Additionally, market is still pricing in a likely 150 basis points of cuts by the end of the year. Moreover, demand for safe haven may continue to rise on mounting tension in Middle East
- MCX Gold prices is likely to hold the support near 61,200 level and rise back towards 61,800 levels
- MCX Silver is expected to follow gold and rise back towards 72,000 level as long as it sustains above 71,000 level.

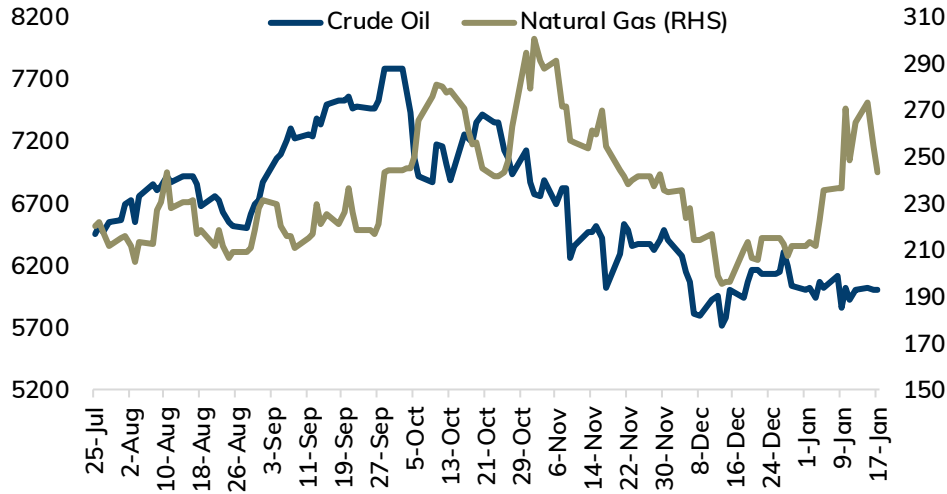
## MCX Copper vs. Aluminium



## Base Metal Outlook

- Copper prices are expected to trade with negative bias amid risk off tone across markets and worries about China's economic growth. Recent data from China showed retail sales grew at the slowest pace since September and investment growth remained tepid, though industrial output showed signs of improvement. Further, policymakers from major central banks pushed back against market expectations of imminent interest rate cuts. Meanwhile, sharp downside may be cushioned on persistent decline in stockpiles at LME registered warehouses and expectation of correction in dollar
- MCX Copper is expected to slip towards 708 level as long as it stays below 719 level. A move above 719 would reverse the trend and open the doors for 722 levels.
- Aluminum is expected to slip further towards 197.50 level as long as it stays below 199.50 level.

## MCX Crude Oil vs. Natural Gas



## Energy Outlook

- NYMEX Crude oil is expected to face hurdle near \$74 and slip back towards \$71 level amid weak global market sentiments and surprise increase in US crude oil stockpiles, signs of weaker demand. As per API crude inventories rose by 939,000 barrels for the week ending 12<sup>th</sup> January 2024. Data also showed gasoline inventories increased by 2.5M barrels last week, while distillate stocks increased by 600,000 barrels. Further, policymaker from major central banks signaled that interest rates would remain higher for longer duration compared to expectations. Meanwhile, investors will remain cautious ahead of official government inventory report
- MCX Crude oil Feb is likely to slip further towards 5850 levels as long as it trades below 6150 levels.
- MCX Natural gas is expected to slip further towards 230 level as long as it trades below 243 level

## Daily Commodity Pivot Levels

Commodity	S2	S1	Pivot	R1	R2
Gold	61047	61276	61683	61912	62319
Silver	70901	71178	71590	71867	72279
Copper	708.7	711.0	713.5	715.8	718.3
Aluminium	197.1	197.9	199.3	200.1	201.5
Zinc	217.0	218.7	221.6	223.3	226.3
Lead	178.8	179.6	180.8	181.6	182.8
Crude Oil	5803	5888	5952	6037	6101
Nat Gas	224	230	236	242	247

## Daily Currency Pivot Levels

Futures	S2	S1	Pivot	R1	R2
US\$INR (Jan)	83.06	83.12	83.16	83.22	83.27
US\$INR (Feb)	83.14	83.20	83.24	83.29	83.34
EURINR (Jan)	90.22	90.36	90.47	90.60	90.72
EURINR (Feb)	90.39	90.52	90.62	90.75	90.86
GBPINR (Jan)	104.48	104.97	105.27	105.76	106.06
GBPINR (Feb)	104.59	105.06	105.35	105.82	106.11
JPYINR (Jan)	56.16	56.30	56.47	56.60	56.77
JPYINR (Feb)	56.52	56.65	56.83	56.96	57.13

# Key Parameters

## Major Currency Pairs

Currencies	Close	Pvs. Close	% Change
DXY	103.45	103.36	0.09%
US\$INR	83.14	83.08	0.07%
EURUSD	1.0883	1.0875	0.07%
EURINR	90.44	90.44	0.00%
GBPUSD	1.2676	1.2637	0.31%
GBPINR	105.43	105.01	0.40%

## 10 year government - Global Bonds Yields

Country	Close	Pvs. Close	Change
India	7.166	7.147	0.019
US	4.102	4.058	0.0438
Germany	2.316	2.258	0.058
UK	3.985	3.797	0.188
Japan	0.617	0.600	0.017

## US Crude Stocks Change (Barrels)

Release Date	Time (IST)	Actual	Forecast
1/10/2024	9:00 PM	1.3M	-0.2M
1/4/2024	9:00 PM	-5.5M	-3.2M
12/28/2023	9:00 PM	-7.1M	-2.7M
12/20/2023	9:00 PM	2.9M	-2.3M
12/13/2023	9:00 PM	-4.3M	-1.9M
12/6/2023	9:00 PM	-4.6M	-1.3M
11/29/2023	9:00 PM	1.6M	-0.1M

## LME Warehouse Stocks (Tonnes)

Commodity	Current Stock	Change in Stock	% Change
Copper	154075	-650	-0.42%
Aluminium	557675	-875	-0.16%
Zinc	205700	-1600	-0.77%
Lead	114350	-2025	-1.74%
Nickel	69510	498	0.72%

# Economic Calendar

Date & Time (IST)	Country	Data & Events	Actual	Expected	Previous	Impact
Monday, January 15, 2024						
3:30 PM	Europe	Industrial Production m/m	-0.30%	-0.30%	-0.70%	Medium
Tuesday, January 15, 2024						
12:30 PM	UK	Claimant Count Change	11.7k	18.1k	16.0k	High
12:30 PM	UK	Average Earnings Index 3m/y	6.5%	6.9%	7.2%	Medium
3:30 PM	Europe	German ZEW Economic Sentiment	15	12	13	Medium
7:00 PM	US	Empire State Manufacturing Index	-43.7	-4.9	-14.5	High
Wednesday, January 16, 2024						
7:30 AM	China	GDP q/y	5.2%	5.3%	4.9%	High
7:30 AM	China	Industrial Production y/y	6.8%	6.8%	6.6%	High
12:30 PM	UK	CPI y/y	4.00%	3.80%	3.90%	High
3:30 PM	Europe	Final CPI y/y	2.9%	2.9%	2.9%	High
7:00 AM	US	Retail Sales m/m	0.6%	0.4%	0.3%	High
7:45 AM	US	Industrial Production m/m	0.1%	-0.1%	0.2%	Medium
Thursday, January 17, 2024						
7:00 PM	US	Building Permits		1.47M	1.47M	Medium
7:00 PM	US	Unemployment Claims		204k	202k	Medium
7:00 PM	US	Philly Fed Manufacturing Index		-6.9	-10.5	Medium
9:30 PM	US	Crude Oil Inventories			1.3M	Medium
Friday, January 18, 2024						
12:30 AM	UK	Retail Sales m/m		-0.5%	1.3%	High
8:30 PM	US	Prelim UoM Consumer Sentiment		69.30	69.70	High
8:30 PM	US	Existing Home Sales		3.83M	3.82M	Medium
8:30 PM	US	Prelim UoM Inflation Expectations		-	3.1%	Medium



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