

February 2, 2024

# Daily Currency & Commodities Outlook

## Daily Recommendations

Commodity/Index	Expiry	Action	Entry	Target	Stop Loss	Time Frame
Natural Gas	February	Sell	174-174.50	166	179	Intraday
USDINR	February	Sell	83.02-83.04	82.84	83.15	Intraday

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## News and Developments

- Spot gold prices ended on positive note yesterday amid weak dollar and decline in US treasury yields. Further, gold prices moved north as US Fed left interest rates unchanged for 4<sup>th</sup> consecutive time and dropped long standing reference to possible rate hikes. Additionally, prices edged higher on disappointing economic data from US and rise in demand for safe haven amid escalating tension in Middle East.
- US initial jobless claims unexpectedly rose 9,000 to a 2 ½ month high of 224,000, showing a weaker labor market than expectations of a decline to 212,000
- Dollar gave up early advances and ended on negative note amid decline in US treasury yields and as investors continued to bet the Federal Reserve is closer to cutting interest rates.
- As per CME Fedwatch tool, expectations for Fed to cut rate in March slipped to 38% from 52.8% a day ago while, prospects of no rate cut increased to 62% from 45.5% a day ago
- Yield on benchmark US 10-year treasury note decline to 3.882% and 2-year treasury yield, which typically moves in step with interest rate expectations edged lower to 4.209%. Yields slid yesterday on renewed concerns about regional banking sector and unexpected rise in Jobless claims
- Crude oil prices edged lower yesterday on concern over economic growth in China and conflicting reports on the progress towards extended Hamas-Israel ceasefire. Further, prices slipped as US Fed Chair Powell poured cold water on the idea that a cut could come in March
- Copper prices moved south as US Federal Reserve pushed back on idea of an interest rate cut as early as March. Meanwhile, sharp downside was cushioned on soft dollar, concern over tighter supply and as private sector survey showed that China's factory activity expanded in January

## Price Performance

Commodity	LTP (₹)	Change	LTP (\$)	Change
Gold	63665	1.12%	2054.99	0.76%
Silver	72218	-0.04%	23.18	0.96%
Copper	726.8	-0.57%	8534.50	-0.86%
Aluminium	202.5	0.02%	2247.00	-1.45%
Zinc	220.9	-2.62%	2478.00	-1.96%
Lead	182.0	1.11%	2151.50	-0.32%
WTI Crude Oil	6206	-1.69%	73.82	-2.68%
US Nat Gas	174.0	-3.28%	2.05	-2.38%

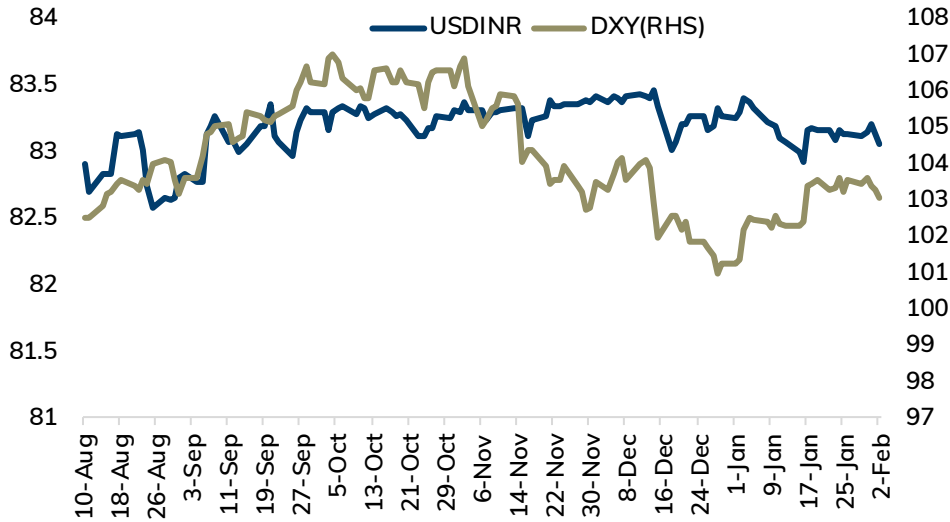
## Domestic Currencies

Futures	Close	% Change	Open Interest	Change in OI	Volume	Change in Vol
USDINR (27th Feb)	83.06	-0.09%	2327263	-129130	1770013	324635
EURINR (27th Feb)	89.82	-0.40%	174971	30426	244854	53877
GBPINR (27th Feb)	104.93	-0.44%	259002	-994	262836	55114

## Daily Strategy Follow-up

Commodity/Index	Expiry	Action	Entry	Target	Stoploss	Comment
Copper	February	Sell	734-734.50	728	738	Not initiated
EURINR	February	Sell	90.10-90.12	89.80	90.30	Not initiated

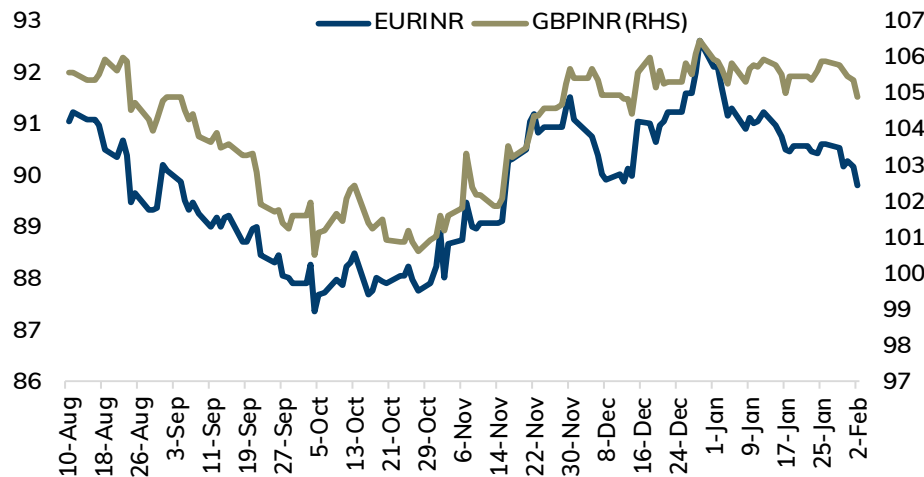
## Dollar Index vs. US\$INR



## Rupee Outlook

- Rupee appreciated to its highest level in two weeks on Thursday amid decline in the dollar. It gained strength after the Indian Govt. lowered its FY25 gross borrowing estimates to 14.13 trillion rupees against market estimates of 15.6 trillion rupees. The rupee ended at 82.98 against its previous close at 83.04.
- Rupee is likely to hold its gains amid weakness in the dollar and decline in US treasury yields. Further, forecast of increase in unemployment rate and moderation in the US job creation would hurt the dollar. Additionally, strong flow of funds to the domestic bond market and softer oil prices would also support the rupee to trade higher. USDINR Feb is likely to dip further towards 82.80, as long as it trades under 83.15.

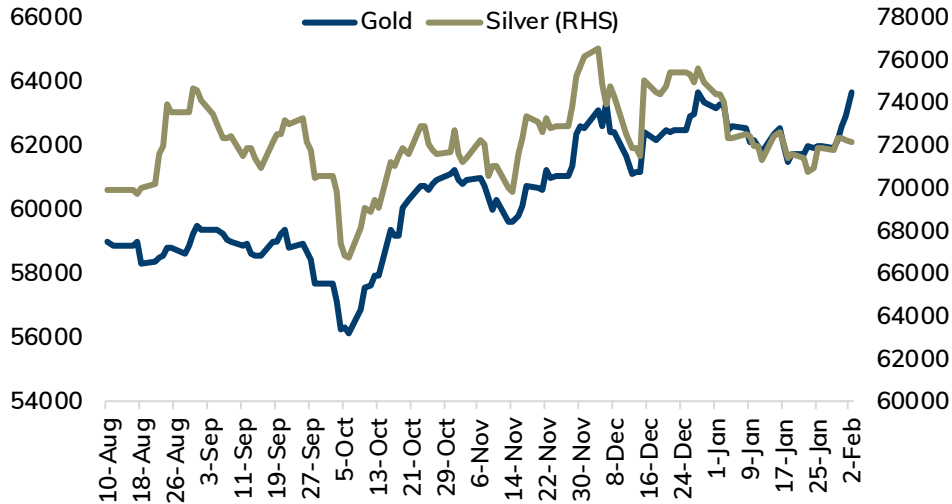
## EURINR vs. GBPINR



## Euro and Pound Outlook

- Euro witnessed a sharp rebound from its 7-week low amid decline in the US dollar. Further, more than expected rise Eurozone Jan consumer prices also supported the pair to gain by 0.49%. EURUSD is likely to extend its rebound towards 1.0920 amid weakness in the dollar. EURINR February is most likely to move towards 90.50, as long as it holds the key support at 89.70. Only a move above 90.50 it would rise towards 90.70.
- Pound also rebounded from day's low amid weakness in the dollar. Further, BOE's stance to keep interest rates higher for longer to bring back the inflation to 2% target also supported the pair to trim its earlier losses. The pair is expected to rise towards 1.28, amid softness in the dollar. On the lower end 1.270 would act as key support. GBPINR is likely to rise towards 106.10, as long as it holds above 105.20.

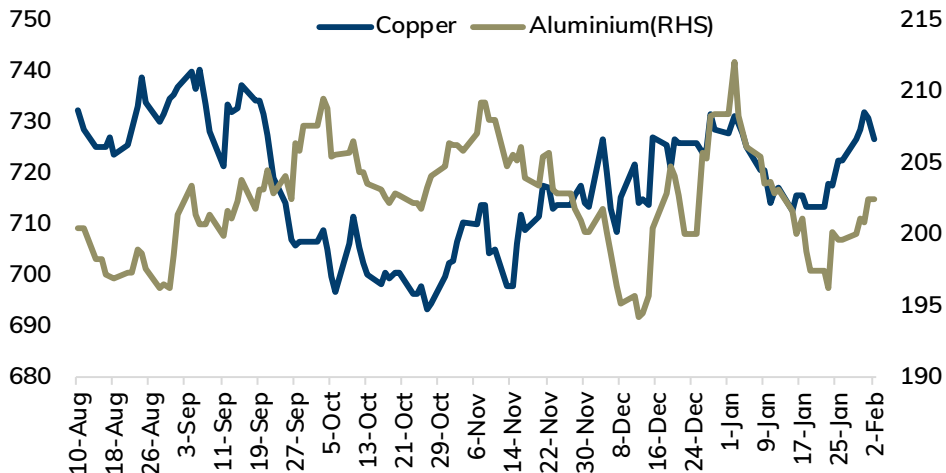
## MCX Gold vs. Silver



## Bullion Outlook

- Spot gold is likely to hold the support near \$2035 level and rise towards \$2070 level amid soft dollar and decline in US treasury yields. Dollar is moving south as US Fed said rates had peaked and would move lower in coming months, with inflation continuing to fall. Moreover, investors will remain vigilant ahead of US non-farm payrolls data for more cues on Federal Reserve policy path. Additionally, demand for safe haven may increase on mounting tension in Middle East and renewed concerns over regional banking sector
- MCX Gold April price is likely to rise further towards 63,400 level as long as it holds the support near 62,600 levels
- MCX Silver is expected to follow gold and rise further towards 73,000 level as long as it sustains above 71,800 level.

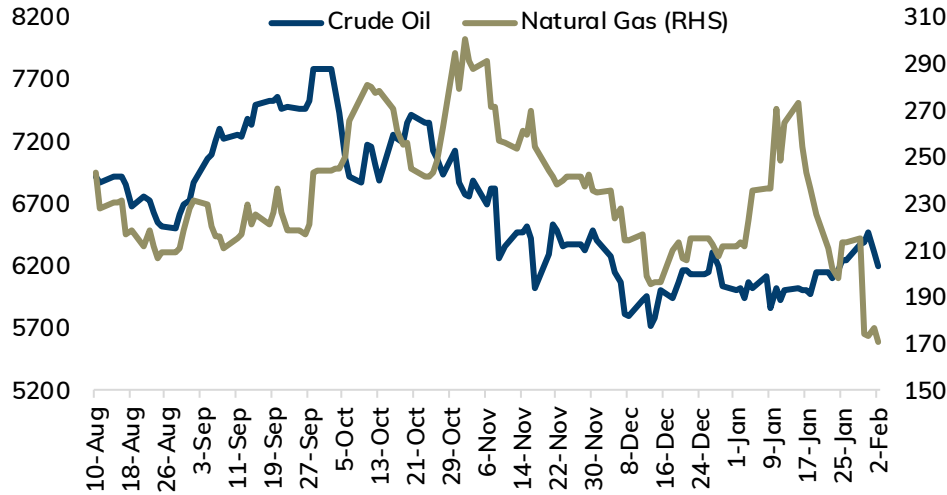
## MCX Copper vs. Aluminium



## Base Metal Outlook

- Copper prices are expected to trade with positive bias amid soft dollar and rise in risk appetite in the global markets. Further, prices may move north on concerns over tighter supplies and positive economic data from China. Moreover, persistent decline in stockpiles at LME registered warehouses may support prices. Meanwhile, market will remain cautious ahead of economic data from Euro Zone and US to gauge economic health of the country
- MCX Copper is expected to rise towards 731 level as long as it stays above 725 level. A move below 725 would reverse the trend and open the doors for 722 levels.
- Aluminum is expected to slip further towards 201 level as long as it stays below 203.50 level.

## MCX Crude Oil vs. Natural Gas



## Energy Outlook

- NYMEX Crude oil is expected to find support near \$73.50 and rise towards \$75.50 level amid weak dollar and optimistic global market sentiments. Further, prices may move north as mounting tension in Middle East have kept supply disruption concerns elevated. Furthermore, conflicting reports about potential ceasefire in Gaza would be supportive for prices. Additionally, US Federal Reserve Chair Powell has said interest rates had peaked and would move lower in coming months.
- MCX Crude oil is likely to rise further towards 6350 levels as long as it trades above 6150 levels.
- MCX Natural gas is expected to slip further towards 165 level as long as it trades below 179 level amid EIA reported that gas inventories fell -197 bcf last week, a smaller draw than expectations of -203 bcf

## Daily Commodity Pivot Levels

Commodity	S2	S1	Pivot	R1	R2
Gold	62116	62890	63435	64209	64754
Silver	70449	71334	71884	72769	73319
Copper	722.4	724.6	728.3	730.5	734.3
Aluminium	201.1	201.8	203.0	203.7	204.9
Zinc	218.3	219.6	221.8	223.1	225.2
Lead	181.1	181.5	182.2	182.7	183.4
Crude Oil	6027	6116	6252	6341	6477
Nat Gas	168	171	177	180	186

## Daily Currency Pivot Levels

Futures	S2	S1	Pivot	R1	R2
US\$INR (Feb)	82.92	82.99	83.06	83.13	83.20
US\$INR (Mar)	83.02	83.08	83.14	83.20	83.26
EURINR (Feb)	89.48	89.65	89.85	90.01	90.21
EURINR (Mar)	89.68	89.83	90.00	90.16	90.33
GBPINR (Feb)	104.54	104.73	105.10	105.30	105.66
GBPINR (Mar)	104.62	104.83	105.21	105.42	105.80
JPYINR (Feb)	56.40	56.61	56.95	57.16	57.50
JPYINR (Mar)	56.99	57.10	57.19	57.29	57.38

# Key Parameters

## Major Currency Pairs

Currencies	Close	Pvs. Close	% Change
DXY	103.05	103.27	-0.22%
US\$INR	82.98	83.04	-0.08%
EURUSD	1.0872	1.0818	0.50%
EURINR	89.60	89.88	-0.31%
GBPUSD	1.2744	1.2688	0.44%
GBPINR	105.01	105.21	-0.19%

## 10 year government - Global Bonds Yields

Country	Close	Pvs. Close	Change
India	7.058	7.144	-0.086
US	3.880	3.912	-0.0322
Germany	2.149	2.166	-0.017
UK	3.746	3.794	-0.048
Japan	0.705	0.732	-0.027

## US Crude Stocks Change (Barrels)

Release Date	Time (IST)	Actual	Forecast
1/31/2024	9:00 PM	1.2M	-0.8M
1/24/2024	9:00 PM	-9.2M	-1.2M
1/18/2024	9:30 PM	-2.5M	-0.6M
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

## LME Warehouse Stocks (Tonnes)

Commodity	Current Stock	Change in Stock	% Change
Copper	145425	-1050	-0.72%
Aluminium	535575	-2000	-0.37%
Zinc	198875	-550	-0.28%
Lead	120325	5925	5.18%
Nickel	71148	-222	-0.31%

# Economic Calendar

Date & Time (IST)	Country	Data & Events	Actual	Expected	Previous	Impact
Monday, January 29, 2024						
7:30 AM	China	CB Leading Index m/m	4.20%	4.20%	4.20%	Medium
Tuesday, January 30, 2024						
3:30 PM	Europe	Prelim Flash GDP q/q	0.0%	-0.1%	-0.1%	High
8:30 PM	US	CB Consumer Confidence	114.8	111.3	110.7	Medium
8:30 PM	US	JOLTS Job Openings	9.03M	8.73M	8.79M	High
Wednesday, January 31, 2024						
7:00 AM	China	Manufacturing PMI	49.2	49.3	49.0	Medium
2:30 PM	Europe	German Prelim CPI m/m	0.2%	0.5%	0.1%	High
5:45 PM	US	ADP Non-Farm Employment Change	107k	130k	164k	High
7:00 PM	US	Employment Cost Index q/q	0.9%	1.0%	1.1%	High
9:00 PM	US	Crude oil Inventories	1.2M	(-0.8)M	(-9.2)M	Medium
Thursday, February 01, 2024						
12:30 AM	US	Federal Funds Rate	5.5%	5.5%	5.5%	High
12:30 AM	US	FOMC Statement	-	-	-	High
7:15 AM	China	Caixin Manufacturing PMI	50.8%	50.8%	50.8%	High
11:30 AM	India	Indian Union Budget	-	-	-	High
3:00 PM	Europe	CPI Flash Estimate y/y	2.8%	2.7%	2.9%	High
5:30 PM	UK	Official Bank Rate	5.25%	5.25%	5.25%	High
7:00 PM	US	Unemployment Claims	224k	213k	214k	High
8:30 PM	US	ISM Manufacturing PMI	49.1	47.4	47.4	High
Friday, February 02, 2024						
7:00 PM	US	Average Hourly Earnings m/m		0.30%	0.40%	High
7:00 PM	US	Non-Farm Employment Change		162k	216k	High
7:00 PM	US	Unemployment Rate		3.7%	3.7%	High
8:30 PM	US	Revised UoM Consumer Sentiment		78.8	78.8%	Medium

Source: Bloomberg, Reuters, ICICI Direct Research



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