

February 1, 2024

Daily Currency & Commodities Outlook

Daily Recommendations

Commodity/Index	Expiry	Action	Entry	Target	Stop Loss	Time Frame
Copper	February	Sell	734-734.50	728	738	Intraday
EURINR	February	Sell	90.10-90.12	89.80	90.30	Intraday

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News and Developments

- Spot gold prices ended on positive note yesterday but gave up most of its gains after US Federal Reserve Chair Powell pushed back expectations of rate cut as early as March. Gold prices moved north earlier due to disappointing economic data from US and rise in demand for safe haven amid escalating tension in Middle East.
- ADP employment change rose 107,000, weaker than expectations of 150,000. Q4 employment cost index rose 0.9% q/q, weaker than expectations of 1.0% q/q and the smallest pace of increase in 2½ years
- Dollar inched higher on hawkish comments from Fed Chair Powell. He said rate cut in March was not central banks base case.
- US Federal Reserve hit a pause button once again in February meeting leaving benchmark rates between 5.25% and 5.5%, in line with market expectations and signaled rate cuts in this year but not imminent
- As per CME Fedwatch tool, expectations for Fed to cut rate in March rose to 53% from 40.4% a day ago while, prospects of no rate cut decline to 47% from 58.8% a day ago
- Yield on benchmark US 10-year treasury note decline to 3.916% and 2-year treasury yield, which typically moves in step with interest rate expectations edged lower to 4.211%.
- Crude oil prices edged lower yesterday on concern over economic activity in China and surprise build up in US crude oil inventories. Manufacturing activity in China contracted for a 4th straight month in January
- Copper prices moved south amid strong dollar and rise aversion in the global markets. Further, China's manufacturing activity contracted for a 4th consecutive month in January, suggesting the sprawling sector and broader economy were struggling to regain momentum at the start of 2024

Price Performance

Commodity	LTP (₹)	Change	LTP (\$)	Change
Gold	62958	0.52%	2039.52	0.12%
Silver	72247	-0.14%	22.96	-0.92%
Copper	733.3	-0.22%	8608.50	-0.08%
Aluminium	204.9	0.07%	2280.00	0.24%
Zinc	225.2	-1.03%	2527.50	-1.44%
Lead	183.0	-0.41%	2158.50	-0.85%
WTI Crude Oil	6313	-2.56%	75.85	-2.53%
US Nat Gas	179.9	1.75%	2.10	1.11%

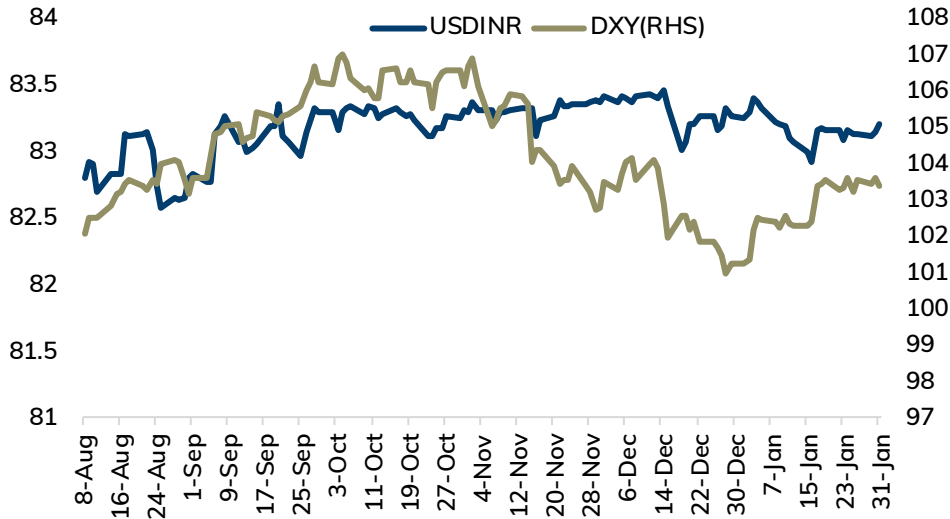
Domestic Currencies

Futures	Close	% Change	Open Interest	Change in OI	Volume	Change in Vol
USDINR (27th Feb)	83.13	-0.08%	2456393	34185	1445378	594313
EURINR (27th Feb)	90.19	-0.12%	144545	6928	190977	42026
GBPINR (27th Feb)	105.40	-0.08%	259996	-17446	207722	-3174

Daily Strategy Follow-up

Commodity/Index	Expiry	Action	Entry	Target	Stoploss	Comment
Gold Mini	March	Buy	62080-62100	62600	61800	Not initiated
EURINR	February	Buy	90.15-90.16	90.48	90.00	Stop Loss Triggered

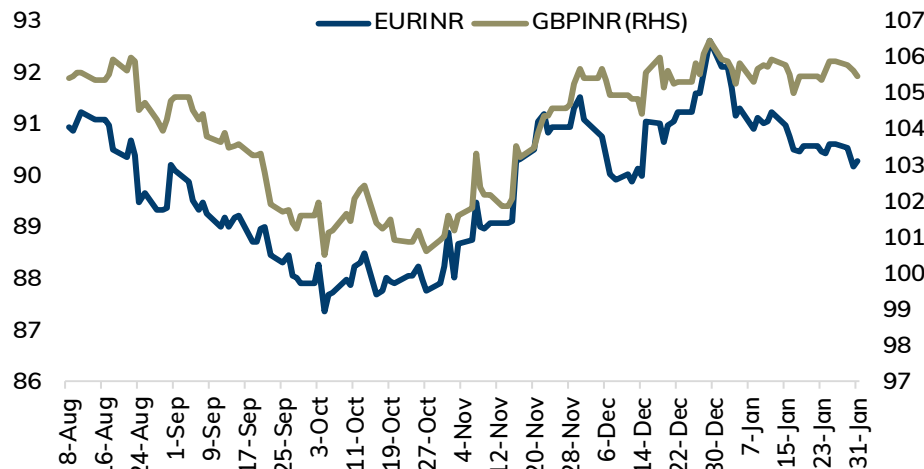
Dollar Index vs. US\$INR



Rupee Outlook

- Rupee appreciated on Wednesday amid inflow of funds into the domestic market. Dollar sales from both local and foreign banks lifted the rupee to its strongest level in this week. The rupee ended at 83.04 against its previous close at 83.11.
- Rupee is likely to trim its earlier gains amid rebound in the dollar. Hawkish comments from the Fed chair Jerome Powell would support the dollar to regain its strength. Meanwhile, drop in US treasury yields could limit any major gain in the pair. In the meantime, investor will keep an eye on domestic annual budget today. USDINR Feb is likely to consolidate hit the lower ban of the range 83.00-83.30. Only close below 83.00 it would slide towards 82.80. On the other hand a move above 83.30 it would test 83.40 mark.

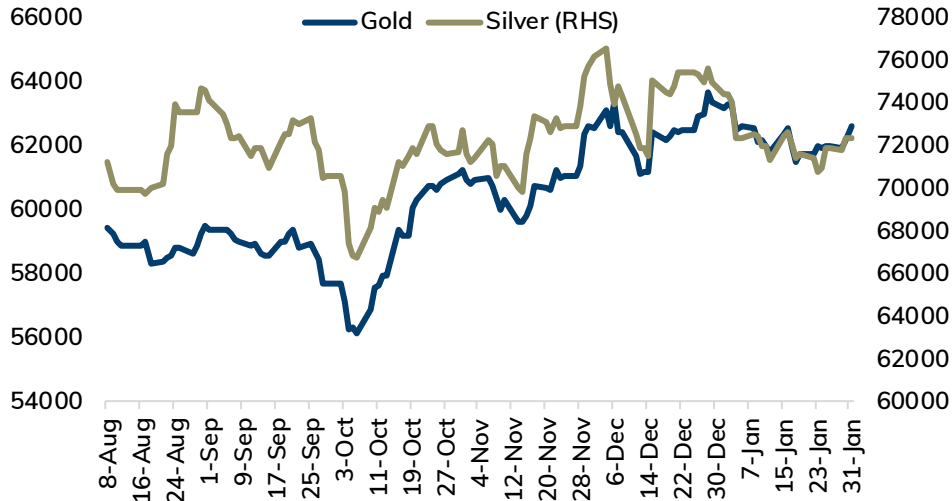
EURINR vs. GBPINR



Euro and Pound Outlook

- Euro pared all its gains and lose around 0.25% on Wednesday amid strong rebound in the dollar. Also weighing on the Euro was the less than expected rise in German CPI and fall in retail sales numbers. EURUSD is likely to weaken towards 1.0810 amid strong dollar and expectation of softness in inflation estimates in Eurozone. EURINR February is most likely to move towards 89.80, as long as it trades under 90.30. Only a move above 90.30 it would rise towards 90.50.
- Pound also trimmed its earlier gains amid strong rebound in the dollar. The pair is expected to weaken further towards the key support at 1.2650. Meanwhile, traders await outcome from the BOE policy today. The pair is expected to consolidate in the band of 1.2650 and 1.2730 before the outcome of the policy. Close below 1.2650 would weaken it towards 1.2610. GBPINR is likely to dip towards 105 as long as it trades under 105.80.

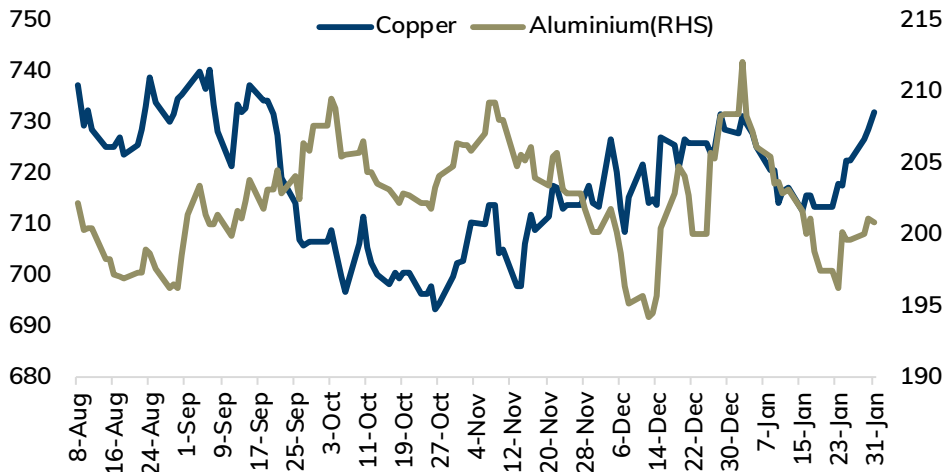
MCX Gold vs. Silver



Bullion Outlook

- Spot gold is likely to face hurdle near \$2050 level and slip towards \$2020 level amid strong dollar and rise in US treasury yields. Dollar is moving north as US Fed Chair Powell statements pushed back expectations of imminent rate cut, as early as March. However, sharp downside may be cushioned on expectation of weak economic data from US. Further, investors will remain cautious ahead of inflation data from Europe and Bank of England monetary policy. Additionally, demand for safe haven may increase on mounting tension in Middle East
- MCX Gold April prices is likely to face hurdle near 62,900 level and slip towards 62,400 levels
- MCX Silver is expected to follow gold and dip further towards 71,600 level as long as it sustains below 72,800 level.

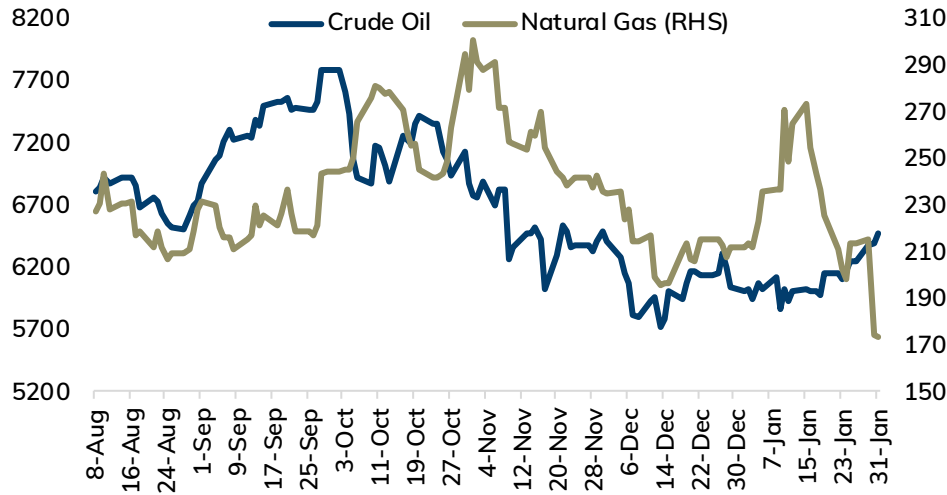
MCX Copper vs. Aluminium



Base Metal Outlook

- Copper prices are expected to trade with negative bias as weaker economic data from China and ailing property sector sparked demand worries. Recent batch of economic data from China signals that economy is struggling to regain momentum. Additionally, strong dollar and pessimistic global market sentiments will hurt copper prices. Meanwhile, decline in stockpiles at LME registered warehouses may prevent sharp downside in prices.
- MCX Copper is expected to slip towards 726 level as long as it stays below 738 level. A move below 726 would open the doors for 722 levels.
- Aluminium is expected to slip further towards 203 level as long as it stays below 206 level.

MCX Crude Oil vs. Natural Gas



Energy Outlook

- NYMEX Crude oil is expected to slip further towards \$74.50 as long as it stays below \$77 level amid strong dollar and risk aversion in the global markets. Market sentiments are hurt as US Fed Chair Powell statements pushed back expectations of imminent rate cut, as early as March. Further, disappointing economic data from China has raised concern over demand outlook. Additionally, US Crude oil inventories unexpectedly rose by 1.23M barrels for the week ending 29th January. Meanwhile, concerns over Middle eastern supplies persist amid military actions in Red Sea. Investors will remain cautious ahead of OPEC+ meeting scheduled today
- MCX Crude oil is likely to slid further towards 6150 levels as long as it trades below 6400 levels.
- MCX Natural gas is expected to rise further towards 187 level as long as it trades above 172 level

Daily Commodity Pivot Levels

Commodity	S2	S1	Pivot	R1	R2
Gold	62373	62666	62852	63145	63331
Silver	71820	72033	72359	72572	72898
Copper	729.0	731.1	734.3	736.4	739.6
Aluminium	203.3	204.1	205.1	205.9	206.8
Zinc	222.9	224.0	225.9	227.1	229.0
Lead	181.8	182.4	183.0	183.6	184.1
Crude Oil	6183	6248	6355	6420	6527
Nat Gas	170	175	179	184	188

Daily Currency Pivot Levels

Futures	S2	S1	Pivot	R1	R2
US\$INR (Feb)	83.02	83.08	83.15	83.21	83.28
US\$INR (Mar)	83.12	83.17	83.23	83.27	83.33
EURINR (Feb)	89.89	90.04	90.13	90.28	90.37
EURINR (Mar)	90.05	90.20	90.29	90.43	90.52
GBPINR (Feb)	105.20	105.30	105.41	105.51	105.62
GBPINR (Mar)	105.32	105.41	105.51	105.60	105.70
JPYINR (Feb)	56.43	56.50	56.59	56.66	56.76
JPYINR (Mar)	56.77	56.84	56.95	57.02	57.13

Key Parameters

Major Currency Pairs

Currencies	Close	Pvs. Close	% Change
DXY	103.27	103.40	-0.12%
US\$INR	83.04	83.11	-0.09%
EURUSD	1.0818	1.0845	-0.25%
EURINR	89.88	90.00	-0.14%
GBPUSD	1.2688	1.2700	-0.09%
GBPINR	105.21	105.40	-0.18%

10 year government - Global Bonds Yields

Country	Close	Pvs. Close	Change
India	7.144	7.158	-0.014
US	3.912	4.032	-0.1195
Germany	2.166	2.268	-0.102
UK	3.794	3.901	-0.107
Japan	0.732	0.717	0.015

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	146475	-2000	-1.35%
Aluminium	537575	-250	-0.05%
Zinc	199425	9500	5.00%
Lead	114400	3225	2.90%
Nickel	71370	1302	1.86%

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%	High
12:30 AM	US	FOMC Statement	-	-	-	High
7:15 AM	China	Caixin Manufacturing PMI		50.5%	50.8%	High
11:30 AM	India	Indian Union Budget		-	-	High
3:00 PM	Europe	CPI Flash Estimate y/y		2.9%	2.9%	High
5:30 PM	UK	Official Bank Rate		5.25%	5.25%	High
7:00 PM	US	Unemployment Claims		-	214k	High
8:30 PM	US	ISM Manufacturing PMI		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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