

January 17, 2024

Daily Currency & Commodities Outlook

Daily Recommendations

Commodity/Index	Expiry	Action	Entry	Target	Stop Loss	Time Frame
Natural gas	January	Sell	246-247	238	251	Intraday
USDINR	January	Buy	83.04-83.05	83.25	82.92	Intraday

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News and Developments

- Spot gold prices slipped more than 1% yesterday amid strong dollar and higher US treasury yields. Meanwhile, demand for safe haven following escalating tension in Middle East limited downside
- Dollar rallied yesterday against basket of major currencies as remarks from Federal Reserve Governor Christopher Waller dampened expectations for March rate cut.
- Christopher Waller said that while the U.S. is "within striking distance" of the Fed's 2% inflation goal, the central bank should not rush towards cuts in its benchmark interest rate until it is clear lower inflation will be sustained
- As per CME Fedwatch tool, expectations for Fed to cut rate in March decline to 61.4% from 76.9% a day ago while, prospects of no rate cut increased to 37% from 19% a day ago
- Yield on benchmark US 10-year treasury note rose to 4.062% and 2-year treasury yield, which typically moves in step with interest rate expectations edged higher to 4.226%. Yields moved north after Fed policymaker pushed back against market expectations of imminent rate cuts
- Crude oil prices edged lower yesterday due to strong dollar and risk aversion in the global markets. However, sharp downside was cushioned amid jitters about the impact to energy supplies from escalating tensions in the Middle East
- Copper prices moved south amid strong dollar and pessimistic global market sentiments. Further, central bankers in Europe and US pushed back against market expectations of imminent interest rate cuts. Moreover, investors are also closely watching the World Economic Forum in Davos

Price Performance

Commodity	LTP (₹)	Change	LTP (\$)	Change
Gold	62015	-0.87%	2028.44	-1.37%
Silver	72093	-0.74%	22.92	-1.30%
Copper	715.5	0.01%	8354.50	-0.32%
Aluminium	201.1	0.52%	2214.00	0.43%
Zinc	224.8	-0.35%	2547.00	-0.45%
Lead	182.1	-0.16%	2104.00	-0.21%
WTI Crude Oil	6003	-0.08%	72.40	-0.39%
US Nat Gas	243.7	-4.47%	2.90	-12.47%

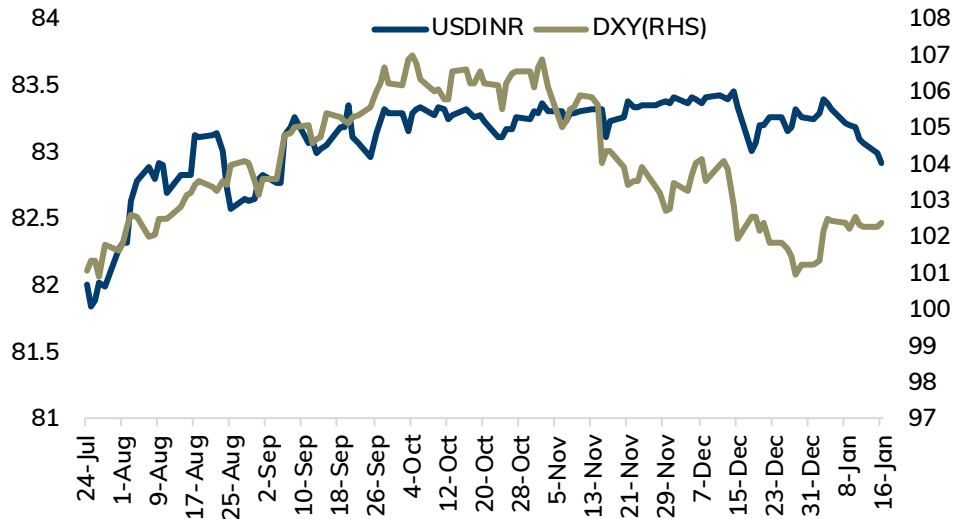
Domestic Currencies

Futures	Close	% Change	Open Interest	Change in OI	Volume	Change in Vol
USDINR (29th Jan)	83.17	0.29%	3633517	-98413	2867064	966092
EURINR (29th Jan)	90.53	-0.28%	170785	1321	160574	32340
GBPINR (29th Jan)	105.02	-0.50%	239406	-29442	268515	93576

Daily Strategy Follow-up

Commodity/Index	Expiry	Action	Entry	Target	Stoploss	Comment
Crude Oil	February	Buy	5980-5990	6150	5880	Not Initiated
USDINR	January	Buy	82.90-82.92	83.10	82.78	Not Initiated

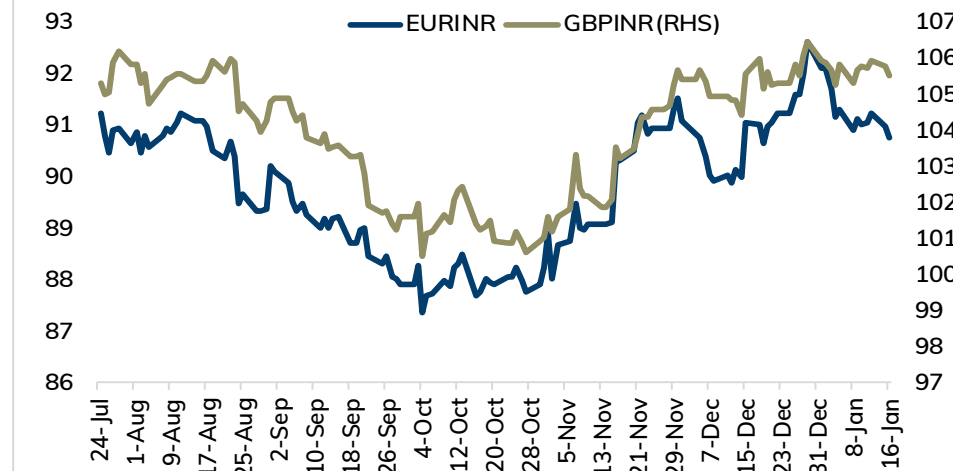
Dollar Index vs. US\$INR



Rupee Outlook

- Rupee depreciated for the first time in this week amid strong rebound in the dollar and increasing signs that global central banks may have to delay the timing of interest rate cuts.
- Rupee is likely to weaken further amid strong dollar and higher treasury yields. Hawkish comments from the Fed Governor Waller would also support the dollar to hold its gains. The CME Fed-Watch tool indicates a probability of 61.4% for 25 bps rate cut in March, down from 76.9% a day ago. Meanwhile, strong domestic equities and weakness in crude oil prices would limit the downside in the domestic currency. USDINR Jan is likely to rise towards 83.25, as long as it holds above the 83.00. Only close above 83.25 it would rise towards 83.40.

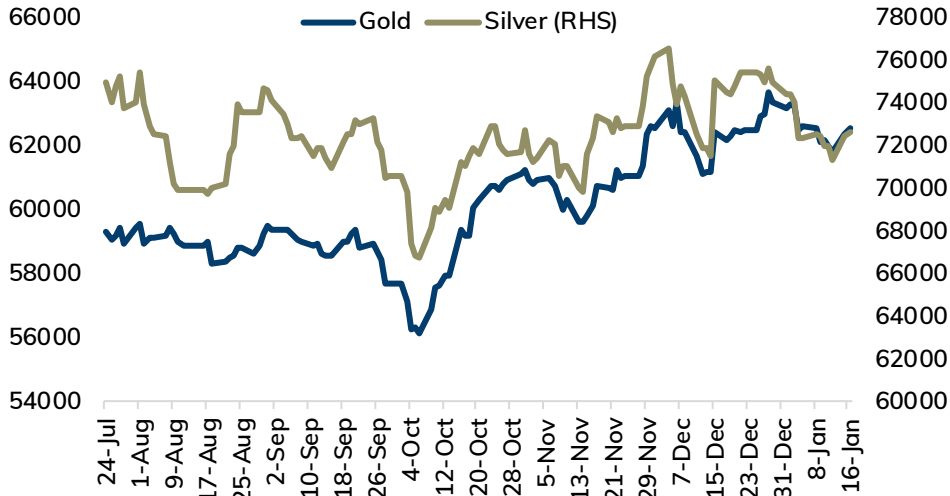
EURINR vs. GBPINR



Euro and Pound Outlook

- Euro slipped more than 0.60% to hit its 1-month low yesterday amid strong dollar. The pair is expected to remain under pressure amid expectation of fall in Eurozone inflation. The probability of rate cut in March stood at 25% . For today, EURUSD is likely to weaken towards 1.0840 level as long as it trades under 1.09. EURINR Jan may weaken towards 90.00 level as long as it holds below 90.75 levels.
- Pound moved lower yesterday amid strong dollar and decline in wage growth numbers. The unemployment rate in the region remain steady near 4.2%. The pair is expected to slide towards 1.2605 levels on recovery in dollar and expectation of softness in the inflation numbers. GBPINR Jan is likely to move south towards 104.80 level as long as it stays below 105.40 levels. Only close below 104.80 it would turn weaker towards 104.60.

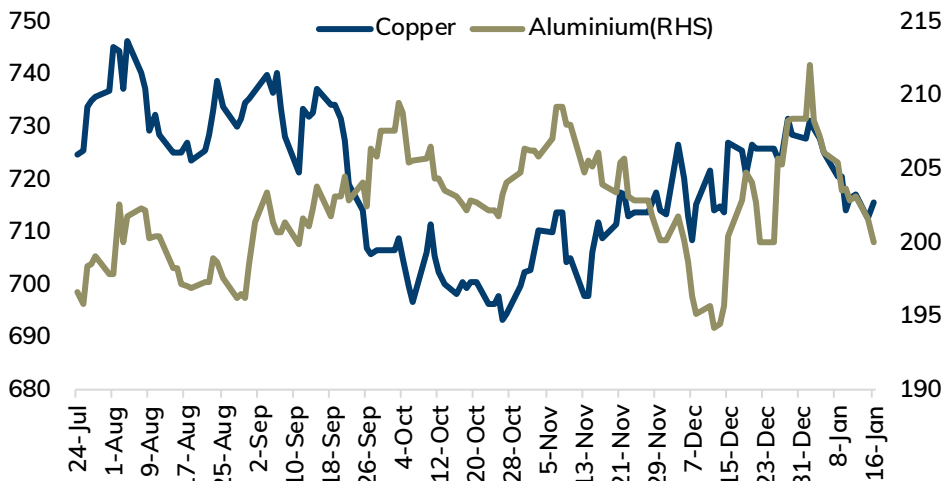
MCX Gold vs. Silver



Bullion Outlook

- Spot gold is likely to slip further towards \$2010 level as long as it stays under \$2045 level amid strong dollar and rise in US treasury yields. Yields are moving up as hawkish statements from Fed officials dampened expectations for a March rate cut. Meanwhile, sharp downside may be cushioned on projections of disappointing economic data from US. Additionally, demand for safe haven may increase on mounting tension in Middle East as US military carried out a new strike in Yemen and Iran targeted semi-autonomous Kurdistan region of Iraq
- MCX Gold prices is likely to move south towards 61,700 level as long as it trades below the resistance level of 62,300 levels
- MCX Silver is expected to follow gold and slip back towards 71,400 level as long as it sustains below 72,500 level.

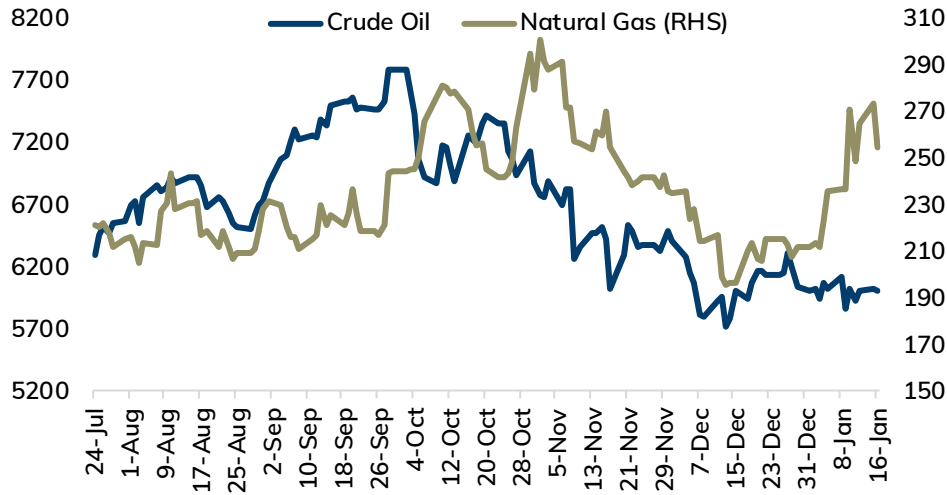
MCX Copper vs. Aluminium



Base Metal Outlook

- Copper prices are expected to trade with negative bias amid strong dollar and risk aversion in the global markets. Further, US Fed and ECB policymakers pushed back against market expectations of imminent interest rate cuts. Meanwhile, sharp fall in industrial metal may be cushioned on hopes for more stimulus in top metal consumer China. Additionally, Chinese data showed industrial production increased by 6.8% in December 2023 and economy expanded by 5.2% in Q4 CY23 compared to 4.9% in preceding quarter
- MCX Copper is expected to slip towards 710 level as long as it stays below 717.50 level. A move above 717.50 would reverse the trend and open the doors for 721 levels.
- Aluminum is expected to rise further towards 202.50 level as long as it stays above 199.50 level.

MCX Crude Oil vs. Natural Gas



Energy Outlook

- NYMEX Crude oil is expected to slip further towards \$70.5 as long as it stays below \$73 level on strong dollar and weak global market sentiments. Further, US Fed and ECB policymaker signaled that interest rates would remain higher for longer duration compared to expectations. Investors fear that higher borrowing cost for longer period will hamper economic outlook and hurt demand for crude oil. Meanwhile, sharp fall may be cushioned on signs of escalating tensions in the Middle East
- MCX Crude oil Feb is likely to slip further towards 5880 levels as long as it trades below 6150 levels.
- MCX Natural gas is expected to slip further towards 238 level as long as it trades below 251 level

Daily Commodity Pivot Levels

Commodity	S2	S1	Pivot	R1	R2
Gold	61627	61821	62171	62365	62715
Silver	71620	71856	72246	72482	72872
Copper	711.1	713.3	715.4	717.6	719.6
Aluminium	198.9	200.0	200.6	201.7	202.3
Zinc	223.1	223.9	224.9	225.8	226.8
Lead	181.6	181.8	182.2	182.4	182.7
Crude Oil	5887	5945	6027	6085	6167
Nat Gas	232	238	248	253	263

Daily Currency Pivot Levels

Futures	S2	S1	Pivot	R1	R2
US\$INR (Jan)	82.87	83.02	83.10	83.25	83.33
US\$INR (Feb)	82.94	83.09	83.17	83.32	83.40
EURINR (Jan)	90.35	90.44	90.58	90.67	90.81
EURINR (Feb)	90.51	90.60	90.74	90.84	90.98
GBPINR (Jan)	104.67	104.85	105.15	105.33	105.63
GBPINR (Feb)	104.85	104.98	105.20	105.34	105.56
JPYINR (Jan)	56.71	56.78	56.90	56.97	57.08
JPYINR (Feb)	57.05	57.13	57.27	57.35	57.48

Key Parameters

Major Currency Pairs

Currencies	Close	Pvs. Close	% Change
DXY	103.36	102.40	0.93%
US\$INR	83.08	82.89	0.23%
EURUSD	1.0875	1.0950	-0.68%
EURINR	90.44	90.73	-0.32%
GBPUSD	1.2637	1.2727	-0.71%
GBPINR	105.01	105.48	-0.44%

10 year government - Global Bonds Yields

Country	Close	Pvs. Close	Change
India	7.147	7.151	-0.004
US	4.058	3.939	0.1191
Germany	2.258	2.233	0.025
UK	3.797	3.797	0
Japan	0.600	0.570	0.03

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	154725	-300	-0.19%
Aluminium	558550	0	0.00%
Zinc	207300	-1900	-0.91%
Lead	116375	-2675	-2.25%
Nickel	69012	0	0.00%

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		3.80%	3.90%	High
3:30 PM	Europe	Final CPI y/y		2.9%	2.9%	High
7:00 AM	US	Retail Sales m/m		0.4%	0.3%	High
7:45 AM	US	Industrial Production m/m		-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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