

January 12, 2024

Daily Currency & Commodities Outlook

Daily Recommendations

Commodity/Index	Expiry	Action	Entry	Target	Stop Loss	Time Frame
Crude Oil	January	Buy	5980-5990	6140	5900	Intraday
GBPINR	January	Buy	106-106.02	106.40	105.80	Intraday

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News and Developments

- Spot gold prices ended on a positive note amid decline in US treasury yields and weakness in dollar. Further, demand for safe haven increased due to heightened geopolitical risk in Middle East after Iran seized an oil tanker off the coast of Oman
- Dollar ended on the negative note giving up early advances on statements from Fed officials. Officials comments were mixed. Richmond Fed President Barkin said he is open to lowering interest rates once it is clear inflation is on a path back toward the Fed's 2% target. while, Cleveland Fed President Mester said Fed would need more evidence before cutting rates, noting March move could be too soon
- As per CME Fedwatch tool expectations for Fed to cut rate in March increased to 70.2% from 64.7% a day ago while, prospects of no rate cut decline to 26.8% from 32.6% a day ago
- Yield on benchmark US 10-year treasury note decline to 3.968% and 2-year treasury yield, which typically moves in step with interest rate expectations edged lower to 4.247%. Yields slipped as hotter than expected inflation data did little to temper expectations about an early rate cut by US Fed.
- Data showed US headline CPI rose 3.4% in December and Core CPI excluding food and energy accelerated to 3.9% YoY basis. Initial claims for state unemployment benefits fell 1,000 to a seasonally adjusted 202,000 for the week ended 6th Jan 2024
- Crude oil prices rose more than 2% yesterday on concern over escalating tension in Middle East after Iran seized an oil tanker off the coast of Oman. Meanwhile, further upside was limited as surprise build up in crude oil inventories raised worries about demand in the largest oil market and reports from China seeking fewer Saudi imports
- Copper prices ended on positive note amid weak dollar and persistent decline in inventories at LME registered warehouses

Price Performance

Commodity	LTP (₹)	Change	LTP (\$)	Change
Gold	61788	-0.34%	2028.91	0.22%
Silver	71354	-0.85%	22.75	-0.65%
Copper	717.0	0.08%	8355.00	-0.19%
Aluminium	203.1	0.12%	2235.00	0.11%
Zinc	223.4	0.22%	2502.50	0.28%
Lead	182.6	0.08%	2095.50	0.58%
WTI Crude Oil	6006	1.26%	72.02	0.91%
US Nat Gas	265.5	6.71%	3.10	1.91%

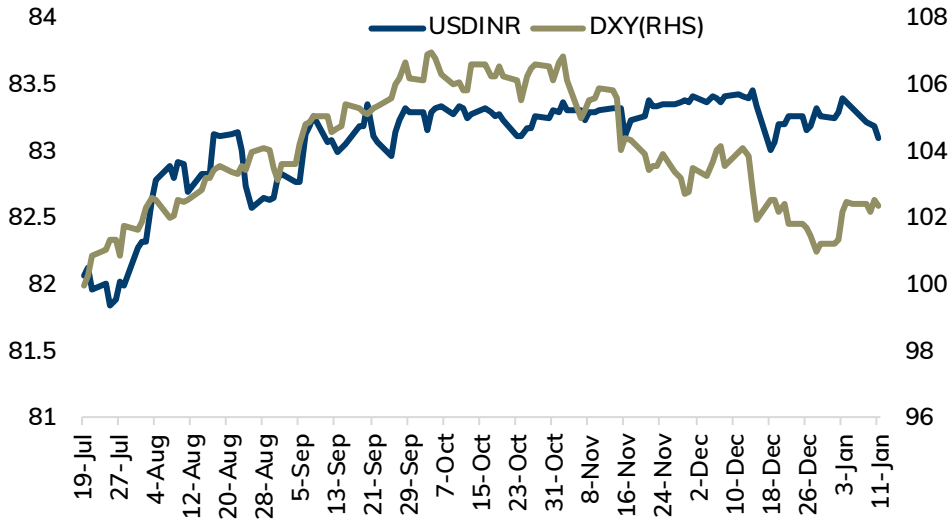
Domestic Currencies

Futures	Close	% Change	Open Interest	Change in OI	Volume	Change in Vol
USDINR (29th Jan)	83.08	-0.03%	3691964	-152731	2301244	348740
EURINR (29th Jan)	91.23	0.20%	177486	1006	141714	5107
GBPINR (29th Jan)	105.96	0.21%	278303	13398	231430	41966

Daily Strategy Follow-up

Commodity/Index	Expiry	Action	Entry	Target	Stoploss	Comment
Copper	January	Buy	714.50-715	721	711	Not Initiated
EURINR	January	Buy	91.00-91.02	91.30	90.80	Not Initiated

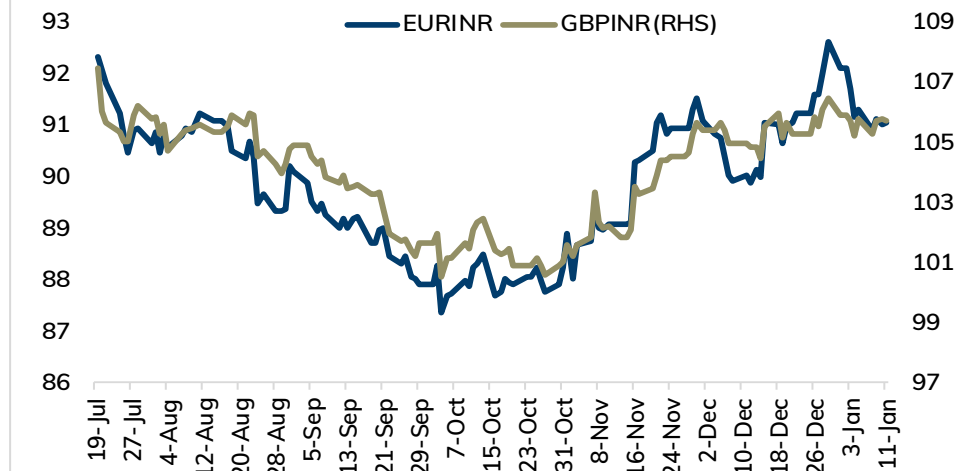
Dollar Index vs. US\$INR



Rupee Outlook

- Rupee hit the highest level in last 3-weeks amid strong inflow of funds into the domestic market. Additionally rupee got further support after the US yields remained under pressure ahead of the key CPI print.
- Rupee is likely to appreciate further amid weakness in the dollar and strong domestic inflows. The dovish comments from the Richmond Fed President Barkin has increased the probability of rate cut in March despite higher inflation numbers in December. The CME Fed-Watch tool suggests more than 70% probability of 25 bps rate cut in March. Meanwhile, focus will shift towards domestic CPI numbers due today. USDINR may face the hurdle near 83.20 and move lower towards 82.90. A move below 82.90 would open the doors towards 82.80 mark.

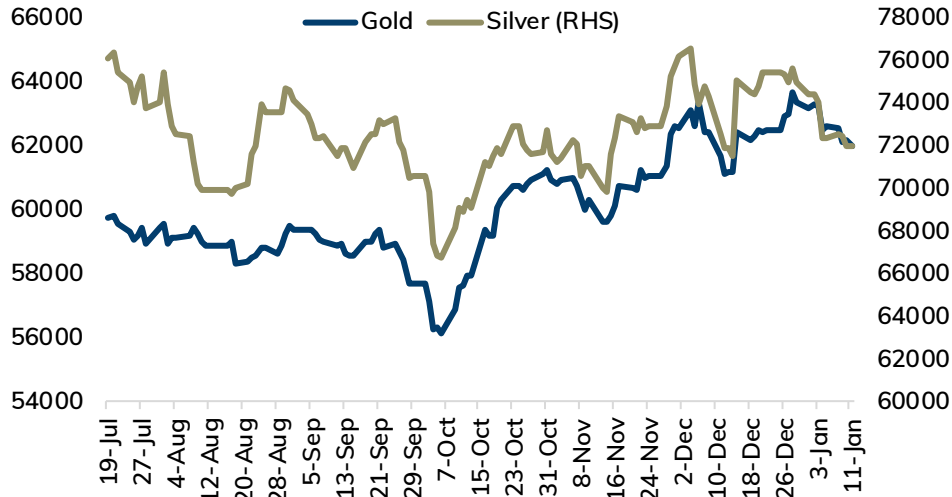
EURINR vs. GBPINR



Euro and Pound Outlook

- Euro recouped its losses on Thursday, amid retreat in the dollar. Meanwhile, weaker economic numbers from the Eurozone and dovish comments from ECB members weighed on the pair to settle near 1.097. The rate cut probability in the next meeting still holds below 5% suggesting ECB to keep rates higher in the first quarter of 2024. EURUSD is likely to move higher towards 1.10 levels as long as it stays above 1.0930 amid weak dollar and improved risk sentiments. EURINR is likely to rise towards 91.50 as long as it holds above 90.80 levels
- Pound is expected to hold its gains and move towards 1.2800 amid weak dollar and expectation of better GDP numbers. Further, expectation of better economic numbers from the region would also support the pair to hold its gains above 1.2730. GBPINR is likely to rise towards 106.40, as long as it holds above 105.50 level.

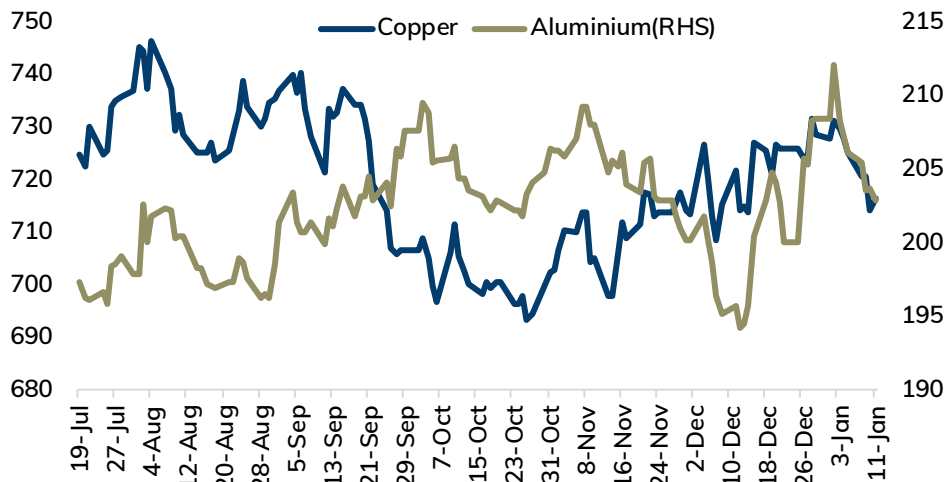
MCX Gold vs. Silver



Bullion Outlook

- Spot gold is likely to hold the support near \$2018 and rise towards \$2045 amid weak dollar and decline in US treasury yields. Dollar and yields may move south as higher than expected CPI data failed to change investors rate cut expectations. As per CME Fedwatch tool traders are still pricing in 73% chance for the 25bps rate cut in March, with several more rate cuts in the year. Moreover, spread between 2 and 10 year notes steepened its inversion to -28.5bps reflecting expectations that Fed will soon starts cutting rates. Additionally, demand for safe haven may increase on mounting tension in Middle East as Iran seized an oil tanker off the coast of Oman and Houthis in Yemen continued their attack against cargo ships travelling through red Sea. MCX Gold prices is likely to move north towards 62,350 level as long as it trades above the support level of 61,600 levels
- MCX Silver is expected to follow gold and rise back towards 72,000 level as long as it sustains above 71,000 level.

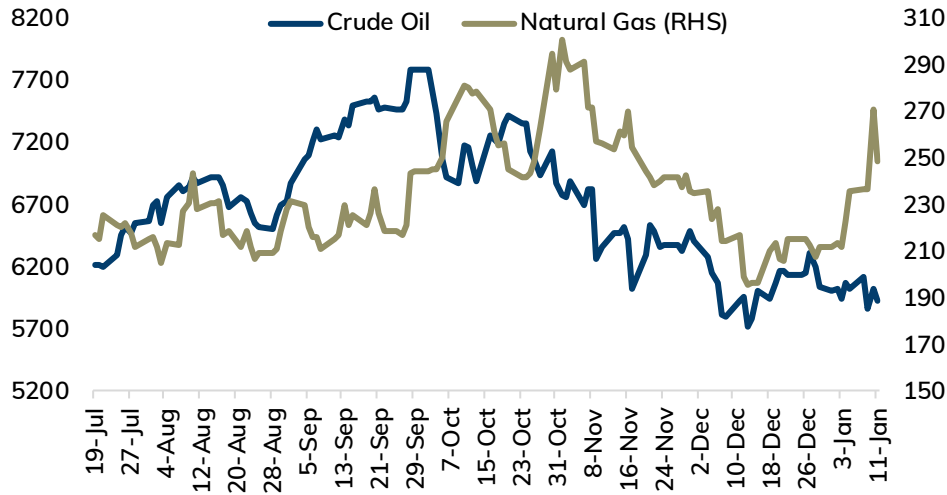
MCX Copper vs. Aluminium



Base Metal Outlook

- Copper prices are expected to trade with positive bias amid weak dollar and persistent decline in stockpile at LME registered warehouses. Moreover, prices may rally on expectation that China may provide more stimulus to support economic recovery. Meanwhile, investors will remain cautious ahead of trade data from China
- MCX Copper is expected to rise back towards 721 level as long as it stays above 711 level. A move above 721 would open the doors towards 725 levels.
- Aluminum is expected to hold the support near 202.40 level and rise towards 204.50 levels.

MCX Crude Oil vs. Natural Gas



Energy Outlook

- NYMEX Crude oil is expected to rise further towards \$75 as long as it stays above \$72.50 level amid weak dollar and fear over escalating tension in Middle after US-led forces launched airstrikes against Houthi in Yemen and Iran seized an oil taker off the coast of Oman. Additionally, market continued to price in rate cuts by Fed in March despite of higher than expected inflation. Lower interest rates would reduce consumer borrowing cost, boosting economic growth and demand for oil.
- MCX Crude oil is likely to rise further towards 6200 levels as long as it trades above 5900 levels.
- MCX Natural gas is expected to rise further towards 275 level as long as it trades above 255 level as weekly EIA inventory data showed supplies fell more than expected. Inventories fell -140Bcf last week, larger draw than expectations of -121Bcf

Daily Commodity Pivot Levels

Commodity	S2	S1	Pivot	R1	R2
Gold	61253	61520	61999	62266	62745
Silver	70312	70833	71679	72200	73046
Copper	712.8	714.9	718.1	720.2	723.3
Aluminium	201.7	202.4	203.2	203.9	204.6
Zinc	221.8	222.6	223.5	224.3	225.2
Lead	182.0	182.3	182.7	183.0	183.5
Crude Oil	5825	5915	6023	6113	6221
Nat Gas	236	251	260	275	284

Daily Currency Pivot Levels

Futures	S2	S1	Pivot	R1	R2
US\$INR (Jan)	82.91	83.00	83.06	83.15	83.21
US\$INR (Feb)	83.01	83.09	83.15	83.23	83.29
EURINR (Jan)	90.98	91.10	91.24	91.37	91.50
EURINR (Feb)	91.19	91.28	91.36	91.45	91.53
GBPINR (Jan)	105.67	105.81	105.94	106.08	106.20
GBPINR (Feb)	105.76	105.90	106.01	106.15	106.26
JPYINR (Jan)	57.11	57.21	57.32	57.41	57.52
JPYINR (Feb)	57.46	57.56	57.67	57.77	57.89

Key Parameters

Major Currency Pairs

Currencies	Close	Pvs. Close	% Change
DXY	102.29	102.36	-0.07%
US\$INR	83.03	83.04	-0.01%
EURUSD	1.0972	1.0973	-0.01%
EURINR	91.03	90.90	0.14%
GBPUSD	1.2760	1.2742	0.14%
GBPINR	105.78	105.67	0.10%

10 year government - Global Bonds Yields

Country	Close	Pvs. Close	Change
India	7.162	7.181	-0.019
US	3.966	4.028	-0.0625
Germany	2.236	2.212	0.024
UK	3.842	3.819	0.023
Japan	0.603	0.586	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	157325	-1575	-0.99%
Aluminium	560575	-1250	-0.22%
Zinc	213675	-1550	-0.72%
Lead	121150	-2200	-1.78%
Nickel	68610	288	0.42%

Date & Time (IST)	Country	Data & Events	Actual	Expected	Previous	Impact
Monday, January 08, 2024						
12:30 PM	Europe	German Factory Orders m/m	0.30%	1.10%	-3.70%	Medium
3:30 PM	Europe	Retail Sales m/m	-0.30%	-0.30%	0.10%	Medium
Tuesday, January 09, 2024						
12:30 PM	Europe	German Industrial Production m/m	-0.7%	0.4%	-0.4%	Medium
3:30 PM	Europe	Unemployment Rate	6.4%	6.5%	6.5%	Medium
Wednesday, January 10, 2024						
8:30 PM	US	Final Wholesale Inventories m/m	-0.2%	-0.2%	-0.2%	Medium
9:00 PM	US	Crude Oil Inventories	1.3M	(-0.2)M	(-5.5) M	Medium
Thursday, January 11, 2024						
7:00 PM	US	CPI y/y	3.40%	3.20%	3.10%	High
7:00 PM	US	Unemployment Claims	202k	211k	202k	High
Friday, January 12, 2024						
7:00 AM	China	CPI y/y	-0.3%	-0.4%	-0.5%	High
7:00 AM	China	PPI y/y	-2.7%	-2.6%	-3.0%	Medium
12:30 PM	UK	GDP m/m		0.2%	-0.3%	High
12:30 PM	UK	Industrial Production m/m		0.3%	-0.8%	Medium
5:30 PM	India	CPI y/y		5.7%	5.5%	High
5:30 PM	India	Industrial Production y/y		7.2%	11.7%	High
7:00 PM	US	Core PPI m/m		0.2%	0.0%	High



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