



IIFL SECURITIES



Daily Commodity Report

6 Feb 2024



Precious Metals

Commodity	Open	High	Low	Close	% Cng
MCXBULLDEX	16055.00	16078.00	15971.00	16005.00	-0.63
Gold	62493.00	62525.00	62100.00	62316.00	-0.39
Silver	70776.00	71030.00	70339.00	70480.00	-1.02

Gold prices slipped after a robust U.S. jobs data last week and remarks from Federal Reserve Chair Jerome Powell dented hopes for early rate cuts, lifting the dollar and bond yields higher. The dollar index hit an eight-week high, while yields on benchmark 10-year Treasury notes rose to more than 4%.

Base Metals

Commodity	Open	High	Low	Close	% Cng
Aluminium	201.00	201.40	199.20	199.60	-3.74
Copper	721.75	722.60	715.10	715.95	-6.10
Lead	181.35	181.55	180.10	180.25	6.39
Zinc	218.40	218.80	216.55	217.00	10.49

Copper fell on concerns about demand China, patchy global industrial activity and expectations that U.S. interest rates will remain higher for longer. Demand concerns remain, with ongoing worries over China's real estate sector and the trajectory of Fed policy.

Energy

Commodity	Open	High	Low	Close	% Cng
Crudeoil	6033.00	6089.00	5952.00	6081.00	0.85
Nat. Gas	173.90	176.00	171.30	173.20	-0.40

Crude oil gains on concerns about potential trade and supply disruptions amid tensions in the Middle East. Natural gas fell weighed down by forecasts for less demand over the next two weeks than previously expected and rising output levels.

Currency

Currency	Open	High	Low	Close	% Cng
USDINR	83.2300	83.2300	83.0200	83.1100	0.16
EURINR	89.7450	89.7575	89.4575	89.4950	-0.97
GBPINR	104.8750	105.0150	104.6325	104.7000	-1.07
JPYINR	56.2825	56.3000	56.1600	56.2475	-1.04

Rupee closed lower weighed down by dollar demand from local oil companies and a jump in U.S. Treasury yields.

Global Market

\$ Index	Rupee	Euro	Pound	Yen	Gold\$	Silver\$	Crude \$	Nat gas \$	Copper
104.4	83.1100	1.0746	1.2546	148.56	2,026.39	22.3565	72.94	2.062	3.7818
0.42%	0.16%	0.04%	0.1%	-0.06%	0.08%	0.21%	0.37%	0.29%	+0.27%

SENSEX	NIFTY	DJ	Nasdaq	S&P 500	Nikkei	KOSPI	CAC 40	FTSE 100	VIX
71731.42	21771.7	38380.12	15597.68	4942.81	36130.93	2571.71	7589.96	7612.86	13.67
-0.49%	-0.38%	-0.71%	-0.2%	-0.32%	-0.61%	-0.76%	-0.03%	-0.04%	-1.3%

Economical Data

Time	Zone	Data
12:30	EUR	German Factory Orders m/m
15:00	GBP	Construction PMI
15:30	EUR	Retail Sales m/m
22:30	USD	FOMC Member Mester Speaks

LME UPDATE

Commodity	Last	% Change
Copper	8,392.00	0.23
Zinc	2,432.50	0.35
Nickel	15,948.50	-1.76
Aluminium	2,208.00	0.18
Lead	2,123.00	0.52

Gold



Expiry	Close	Resist 2	Resist 1	Pivot	Support 1	Support 2	Spread	OI Status
5-Apr-24	62316.00	62740.00	62530.00	62315.00	62105.00	61890.00	308.00	Long Liquidation

Commentary

Gold faced a decline of -0.39% yesterday, settling at 62,316, driven by robust U.S. jobs data and statements from Federal Reserve Chair Jerome Powell that tempered expectations for early rate cuts. Powell emphasized the need for prudence in deciding when to cut the benchmark interest rate, citing a strong economy that provides time for central bankers to build confidence in further inflation declines. The dollar index reached an eight-week high, and yields on 10-year Treasury notes surged to over 4%, propelled by a better-than-expected U.S. Labor Department report revealing a significant increase of 353,000 jobs in January, nearly double the forecast of 180,000. Traders now see a 60% chance of a U.S. rate cut in May, according to the CME Fed Watch Tool. Investor focus is now directed towards statements from various Fed speakers this week for additional insights into potential rate cuts. In India, slow physical gold buying was observed as jewellers awaited a possible import duty reduction, and retail consumers hesitated due to higher prices. Conversely, China experienced robust demand for the festive period. Dealers offered discounts of up to \$4 an ounce over official domestic prices, reflecting a narrowing from last week's discounts of up to \$9. Technically, the gold market is witnessing long liquidation, with a -1.47% drop in open interest, settling at 14,182. Gold is currently finding support at 62,105, and a breach below this level could lead to a test of 61,890. On the upside, resistance is anticipated at 62,530, and a move above could see prices testing 62,740.

Snapshot

- Gold trading range for the day is 61890-62740.
- Gold prices slipped after a robust U.S. jobs data
- U.S. non-farm payrolls in January rose more than expected
- Traders price in 60% chance of rate cut in May
- Investors await remarks from Fed speakers this week

Silver



Expiry	Close	Resist 2	Resist 1	Pivot	Support 1	Support 2	Spread	OI Status
5-Mar-24	70480.00	71305.00	70890.00	70615.00	70200.00	69925.00	1234.00	Fresh Selling

Commentary

Silver faced a decline of -1.02%, settling at 70480, primarily driven by robust United States Nonfarm Payrolls (NFP) data for January. Investors now anticipate the Federal Reserve (Fed) maintaining interest rates in the 5.25%-5.50% range during March's monetary policy meeting, as the strong labor market data supports the case for sustained higher interest rates until the end of spring. The data reflects a positive demand outlook with strong labor demand and higher wage offerings by U.S. employers. The United States Bureau of Labor Statistics (BLS) reported a significant increase of 353K payrolls in January, nearly doubling the consensus of 180K and surpassing the revised December figures of 333K. Average Hourly Earnings exceeded expectations, growing by 0.6%, and the annual wage growth stood at 4.5%, higher than the estimated 4.1%. Fed Governor Michelle Bowman highlighted the encouraging decline in price pressures but cautioned against premature rate cuts. She emphasized that early rate cuts could hinder the decline in price pressures toward the 2% target, potentially necessitating future interest rate hikes. Technically, Silver witnessed fresh selling with a 9.68% increase in open interest, settling at 32261. The market is currently supported at 70200, with a potential test of 69925. Resistance is expected at 70890, and a breakthrough could lead to a test of 71305. The technical indicators suggest a cautious approach, considering the impact of economic data and Fed policies on silver's price dynamics in the current market scenario.

SNAPSHOT

- Silver trading range for the day is 69925-71305.
- Silver price dropped as investors see Fed rate cut after spring.
- Robust demand for workers has tampered Fed rate-cut bets.
- The outlook for the US dollar and bond yields has improved significantly.
- Fed's Bowman said that the recent decline in price pressures is encouraging but cautioned about early rate cuts.

Crude Oil



Expiry	Close	Resist 2	Resist 1	Pivot	Support 1	Support 2	Spread	OI Status
16-Feb-24	6081.00	6178.00	6130.00	6041.00	5993.00	5904.00	26.00	Short Covering

Commentary

Crude oil experienced a 0.85% uptick yesterday, settling at 6081, primarily driven by concerns over potential trade and supply disruptions in the Middle East. Tensions in the region escalated as the U.S. announced plans for further military action against Iran-backed groups, heightening geopolitical uncertainties. The fear of supply disruptions, coupled with fading expectations of immediate interest rate cuts by the U.S. Federal Reserve and lingering worries about China's economic recovery, weighed on the global demand outlook. Azerbaijan's energy ministry reported an expected decrease in oil production for the year, projecting 29.5 million metric tons compared to last year's 30.2 million tons. In the U.S., crude inventories rose by 1.2 million barrels to 420.7 million barrels in the week ending January 26, contrary to expectations for a 217,000-barrel draw. However, stocks at the Cushing, Oklahoma, delivery hub fell by 2 million barrels during the same period. Money managers increased their net long positions in U.S. crude futures and options, according to the U.S. Commodity Futures Trading Commission (CFTC). The speculator group raised its combined futures and options position in New York and London by 18,082 contracts to 117,226 during the week ending January 30. From a technical standpoint, the market is currently experiencing short-covering, with a -3.29% drop in open interest, settling at 13,170. Crude oil is finding support at 5993, and a breach below this level could lead to a test of 5904. On the upside, resistance is anticipated at 6130, and a move above could propel prices towards 6178.

SNAPSHOT

- Crudeoil trading range for the day is 5904-6178.
- Crude oil gains on concerns about potential trade and supply disruptions amid tensions in the Middle East.
- US crude stocks rose last week as refineries recovered from freezing weather.
- Azerbaijan's 2024 oil production seen at 29.5 mln T
- Money managers raised their net long US crude futures and options positions.

Natural Gas



Expiry	Close	Resist 2	Resist 1	Pivot	Support 1	Support 2	Spread	OI Status
26-Feb-24	173.20	178.20	175.70	173.50	171.00	168.80	1.00	Fresh Selling

Commentary

Natural gas settled down by -0.4% at 173.2, influenced by reduced demand forecasts for the next two weeks and increasing output levels. The market was weighed down by expectations of above-average temperatures until at least February 15, with a return to normal anticipated on February 16-17. The prospect of colder weather later in the month is expected to boost heating demand. However, rising gas production, as wells resume operations after the mid-January Arctic freeze, contributed to the downward pressure on prices. Technical analysis reveals that the market is under fresh selling pressure, with a 1.09% increase in open interest, settling at 67011. Natural gas is currently finding support at 171, and a breach could lead to a test of 168.8. Resistance is anticipated at 175.7, with a move above potentially testing 178.2. The limited gas flow to the nation's LNG export facilities due to technical issues at Freeport LNG's export plant in Texas also played a role in the market dynamics. Gas output in the U.S. Lower 48 states increased to an average of 105.4 billion cubic feet per day in February from 102.0 bcf in January, although still below the monthly record high of 106.3 bcf in December. Meteorological projections suggest that temperatures in the Lower 48 states will remain warmer than normal through at least February 15 before turning near normal on February 16-17. While colder temperatures in mid-February may boost heating demand, current expectations indicate ongoing warmth. The market will likely be closely monitored for any shifts in demand patterns and production levels in the coming weeks.

SNAPSHOT

- Naturalgas trading range for the day is 168.8-178.2.
- Natural gas prices fell due to lower demand forecasts and increased output levels
- Gas output in the U.S. Lower 48 states rose to an average of 105.4 bcf in February
- Gas production is increasing as more wells resume operations after the mid-January Arctic freeze
- Meteorologists project temperatures in the Lower 48 states to remain warmer than normal through at least February 15.

Copper



Expiry	Close	Resist 2	Resist 1	Pivot	Support 1	Support 2	Spread	OI Status
29-Feb-24	715.95	725.40	720.70	717.90	713.20	710.40	6.75	Fresh Selling

Commentary

Copper faced a decline of -0.84% yesterday, settling at 715.95, driven by concerns over demand in China, uneven global industrial activity, and expectations of prolonged higher U.S. interest rates. Persistent worries about China's real estate sector and uncertainties regarding the trajectory of Federal Reserve policies contributed to the negative sentiment surrounding copper. The apprehension about demand was evident in the copper inventories in warehouses monitored by the Shanghai Futures Exchange, which surged by 36%, reaching their highest level since July. LME cash copper's discount to the three-month contract also hit a record high of \$109, indicating weak demand dynamics. Despite some support from declining copper stocks in LME-registered warehouses to their lowest level since September, overall sentiment remained bearish. In Chile, the world's largest copper producer, output remained unchanged year-on-year in December at 495,537 metric tons, as reported by the country's INE statistics agency. However, manufacturing production in Chile saw a 1.8% decrease during the same period, according to INE. China's Nonferrous Metals Industry Association (CNIA) advised copper smelters to cut production and postpone new projects due to tightening raw material supplies, following the closure of a major copper mine in Panama. Technically, the copper market is witnessing fresh selling momentum, with a 6.44% increase in open interest, settling at 5,207. Copper is currently finding support at 713.2, and a breach below this level could lead to a test of 710.4. On the upside, resistance is expected at 720.7, with a move above potentially testing 725.4.

SNAPSHOT

- Copper trading range for the day is 710.4-725.4.
- Copper fell on concerns about demand China, patchy global industrial activity
- Copper inventories in Shanghai Futures Exchange warehouses are up 36%
- Ongoing worries about China's real estate sector and Fed policy are impacting demand

Zinc



Expiry	Close	Resist 2	Resist 1	Pivot	Support 1	Support 2	Spread	OI Status
29-Feb-24	217.00	219.80	218.50	217.50	216.20	215.20	2.90	Fresh Selling

Commentary

Zinc experienced a decline of -0.94%, settling at 217, influenced by a notable increase of 23.10% in inventories in warehouses monitored by the Shanghai Futures Exchange. The market faced additional pressure from data indicating a contraction in manufacturing activity in China and a stronger dollar. U.S. Federal Reserve Chair Jerome Powell's announcement ruling out a rate cut at the March meeting dampened market expectations that had hoped for such a move. Global manufacturing performance at the beginning of 2024 presented a mixed picture, with new orders driving momentum in the United States. However, soft Chinese demand left Asia's economies on shaky ground, and disruptions to Red Sea shipping delayed deliveries in Europe. Swedish miner Boliden's plans to shrink operations and reduce targeted output at its Tara zinc mine in Ireland also contributed to market sentiment. The mine, among the largest globally, was put on care and maintenance in June due to low zinc prices. The International Lead and Zinc Study Group (ILZSG) reported an increase in the global zinc market deficit to 71,600 metric tons in November 2023 from 62,500 tons in October, indicating ongoing challenges in the zinc market. Technically, the market witnessed fresh selling with a 10.49% increase in open interest, settling at 4415. Zinc is currently finding support at 216.2, and a breach may lead to a test of 215.2. Resistance is anticipated at 218.5, with a move above potentially testing 219.8. Traders should remain vigilant, considering the impact of inventory levels, global economic conditions, and technical indicators in navigating the zinc market.

SNAPSHOT

- Zinc trading range for the day is 215.2-219.8.
- Zinc dropped amid as SHFE inventories rose 23.10% from last Friday
- Data showed contraction in manufacturing activity in China and a stronger dollar
- Global factories delivered a largely patchy performance at the start of 2024

Aluminium



Expiry	Close	Resist 2	Resist 1	Pivot	Support 1	Support 2	Spread	OI Status
29-Feb-24	199.60	202.30	201.00	200.10	198.80	197.90	2.45	Long Liquidation

Commentary

Aluminium recorded a decline of -1.04% yesterday, settling at 199.6, as concerns over China's economic activity persisted. China's official PMI data revealed the fourth consecutive month of contraction in factory activity, contributing to uncertainty about the country's economic growth trajectory. The lack of clear indications of a turning point in China's economic performance disappointed investors. In contrast, the Caixin China General Manufacturing PMI unexpectedly reported growth, reaching 50.8 in January 2024, consistent with December's figure and surpassing market forecasts of 50.6. This marked the third consecutive month of expansion in factory activity, contradicting official data that indicated prolonged weakness ahead of the Lunar New Year celebration. Primary metal imports surged to 1.54 million metric tons, a significant increase from 668,000 tons in 2022, though falling short of the record set in 2021 at 1.58 million tons. Conversely, Japan's imports of primary aluminium experienced a 26% decline to 1.03 million metric tons in 2023 due to sluggish demand in construction and manufacturing industries. From a technical perspective, the aluminium market is witnessing long liquidation, with a -3.74% drop in open interest, settling at 3,737. Aluminium is currently finding support at 198.8, and a breach below this level could lead to a test of 197.9. On the upside, resistance is anticipated at 201, with a move above potentially testing 202.3. The technical outlook suggests caution in the market, with traders closely monitoring key support and resistance levels for potential shifts in momentum.

SNAPSHOT

- Aluminium trading range for the day is 197.9-202.3.
- Aluminium dropped as sentiment over China's economic activity continues to be clouded
- China's official PMI data showed factory activity contracted, the fourth straight month of contraction
- Aluminium SHFE inventories rose 4.6% from last Friday

News

The au Jibun Bank Japan Composite PMI was revised upward to 51.5 in January 2024 from a flash reading of 51.1 and after December's reading of 50.0. It was the highest reading since last September, with services activity growing the most in 4 months while the reduction in manufacturing output eased to a 3-month low. New orders rose for the first time in four months, albeit only marginally, led by the steepest rise at service providers for four months. This contributed to a broad stabilization in backlogs of work, ending six straight months of declines. The au Jibun Bank Japan Services PMI was revised higher to 53.1 in January 2024 from a flash reading of 52.7 and a final 51.5 in December. It marked the 17th straight month of expansion in the service sector and the strongest pace since September due to a faster rise in new business inflows, while foreign demand grew for the first time in five months amid a weakening yen. Rises in new business also marked the 17th straight month of growth amid improvements in the tourism sector. Employment rose as firms looked to take on additional staff to meet capacity requirements, with backlogs of accumulation moderating and the strongest seen since last June.

U.S. job growth accelerated in January, likely as a resilient economy and strong worker productivity encouraged businesses to hire and retain more employees, a trend that could shield the economy from a recession this year. Nonfarm payrolls increased by 353,000 jobs last month, the Labor Department's Bureau of Labor Statistics said. Data for December was revised higher to show 333,000 jobs added instead of 216,000 as previously reported. Estimates ranged from 120,000 to 290,000. Employment gains remain well above the roughly 100,000 jobs per month needed to keep up with growth in the working age population. Nonetheless, labor market momentum has slowed from the robust pace in 2022 because of hefty interest rate hikes from the Federal Reserve. Average hourly earnings increased 0.6% last month after rising 0.4% in December. In the 12 months through January, wages increased 4.5% after advancing 4.3% in the prior month. Annual wage growth is well above its pre-pandemic average and the 3.0% to 3.5% range that most policymakers view as consistent with the U.S. central bank's 2% inflation target, supporting views that March is probably too early for the Fed to start cutting rates.

The HSBC India Services PMI was revised higher to 61.8 in January 2024 from a preliminary estimate of 61.2 and higher than December's figure of 59, pointing to the strongest growth in the services sector in six months. New orders rose the most since last July, with export sales rising the most in three months. Exports grew across the globe, including to Afghanistan, Australia, Brazil, China, Europe, the UAE, and the US. The HSBC India Composite PMI was revised upward to 61.2 in January 2024 from flash data of 61.0 and after December's reading of 58.5. It was the 30th straight month of expansion in the country's private sector and the steepest pace since last July, as services activity grew the most in six months and the factory sector expanded at the steepest pace since September. New orders increased the most since mid-2023, with service providers leading the upturn, though manufacturing also logged a faster rise in new business. Payroll numbers rose to the same extent as in December, amid a better trend for employment in the service economy.

China's new home prices rose in January at the fastest monthly pace since August 2021, buoyed by a slew of government support measures, according to a survey. Average prices across 100 cities rose for a fifth consecutive month, with the January month-on-month gain of 0.15% outpacing the 0.1% increase in December, according to Chinese real estate research firm China Index Academy. The number of cities with month-on-month price growth was 49, up from 47 in December. The world's second-largest economy has introduced a series of policies over the past year to help revive the property industry, which has been hit by an unprecedented debt crisis after a regulatory crackdown on the sector's high leverage. This week, two more major Chinese cities have eased home-buying curbs and a state-backed property project received the first development loan under a so-called whitelist mechanism, according to reports in state media.

Disclaimer

Recommendation Parameters for Fundamental/Technical Reports:

Buy Absolute return of over +10%

Accumulate Absolute return between 0% to +10%

Reduce-Absolute return between 0% to -10%

Sell-Absolute return below -10%

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IIFL Group | IIFL Securities Ltd (CIN No. L99999MH1996PLC132983) Office No 1 Gr Floor, Hubtown Solaris, NS Phadke Marg, Andheri, Vijay Nagar, Mumbai 400069. Tel. (91-22) 2580 6650 Customer Service: 40071000 Stock Broker SEBI Regn INZ000164132 *NSE: 10975 "BSE: 0179 "MCX 55995 NCDEX 378 Depository: INDP185 2016 "MF Distributor ARN: 47791 PMS SEBI Regn. INP0000022 13 *Investment Adviser SEBI Regn. INA000000623, "Research Analyst SEBI Regn: INH000000248 Kindly refer to www.indiainfoline.com for detailed disclaimer and risk factor

For Research related queries, write at research@iifl.com

For Sales and Account related information, write to customer care cs@fl.com or call on 91-22 4007 1000