



IIFL SECURITIES



Daily Commodity Report

22 Dec 2023



Commodity Report

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Precious Metals

Commodity	Open	High	Low	Close	% Cng
MCXBULLDEX	16338.00	16380.00	16261.00	16344.00	0.00
Gold	62412.00	62680.00	62369.00	62503.00	0.14
Silver	75155.00	75835.00	75117.00	75426.00	-0.08

Gold resume upside journey after US reported in its final estimate report that the economy grew by 4.9% against estimates and the former reading of 5.2%. Fed members showed their openness to lowering interest rates, but said that an immediate cut isn't expected.

Base Metals

Commodity	Open	High	Low	Close	% Cng
Aluminium	202.55	202.55	199.65	199.95	-53.63
Copper	725.45	728.00	722.75	726.00	0.05
Lead	182.90	183.10	176.65	179.35	-54.11
Zinc	225.10	225.85	222.65	223.50	-55.79

Copper prices pulled back as investors shed some of their bullish positions after the market failed to sustain fresh highs. China will keep liquidity reasonably ample and keep reasonable credit growth, according to a statement from the People's Bank of China.

Energy

Commodity	Open	High	Low	Close	% Cng
Crudeoil	6177.00	6224.00	6053.00	6134.00	-0.65
Nat. Gas	203.60	216.90	200.90	215.30	4.41

Crude oil fell as a surprise build in US crude inventories partially offset concerns about supply disruptions in the Middle East. Natural gas edged up after EIA reported a bigger-than-expected storage draw.

Currency

Currency	Open	High	Low	Close	% Cng
USDINR	83.2025	83.2975	83.1925	83.2675	0.07
EURINR	91.0700	91.3525	91.0600	91.2400	0.19
GBPINR	105.1100	105.3775	105.0375	105.3150	0.03
JPYINR	58.2250	58.3475	58.1375	58.2875	0.29

Rupee declined as dollar demand from local oil companies weighed on the local unit, while traders awaited GDP and labour market data from the United States.

Global Market

\$ Index	Rupee	Euro	Pound	Yen	Gold\$	Silver\$	Crude \$	Nat gas \$	Copper
101.84	83.2675	1.0997	1.2685	142.44	2,049.47	24.3965	74.41	2.582	3.9253
-0.54%	0.07%	-0.08%	0.02%	0.26%	0.19%	-0.26%	0.77%	-0.04%	+0.20%

SENSEX	NIFTY	DJ	Nasdaq	S&P 500	Nikkei	KOSPI	CAC 40	FTSE 100	VIX
70865.1	21255.05	37404.35	14963.87	4746.75	33206.87	2608.21	7571.4	7694.73	13.65
0.51%	0.5%	0.87%	1.26%	1.03%	0.2%	0.31%	-0.16%	-0.27%	-0.15%

Economical Data

Time	Zone	Data
12:30	EUR	German Import Prices m/m
12:30	GBP	Retail Sales m/m
12:30	GBP	Current Account
12:30	GBP	Final GDP q/q
12:30	GBP	Revised Business Investment q/q
19:00	USD	Core PCE Price Index m/m
19:00	USD	Core Durable Goods Orders m/m
19:00	USD	Durable Goods Orders m/m

LME UPDATE

Commodity	Last	% Change
Copper	8,607.00	0.29
Zinc	2,565.50	0.45
Nickel	16,874.00	0.12
Aluminium	2,255.50	0.20
Lead	2,066.00	-0.79

Gold



Expiry	Close	Resist 2	Resist 1	Pivot	Support 1	Support 2	Spread	OI Status
5-Feb-24	62503.00	62825.00	62660.00	62515.00	62350.00	62205.00	368.00	Fresh Buying

Commentary

The recent uptick in gold prices, settling at 62503 with a 0.14% gain, was triggered by the United States Bureau of Economic Analysis reporting a 4.9% growth in the economy, slightly below earlier estimates. The surprising economic resilience led to a sell-off in the US Dollar, already weakened by expectations of Fed rate cuts. While some investors doubt immediate rate cuts, Philadelphia Fed Bank President Patrick Harker emphasized a potential soft landing but cautioned about possible moderate increases in unemployment. Despite concerns, Atlanta Fed Bank President Raphael Bostic, New York Fed Bank President John Williams, and Patrick Harker expressed openness to rate cuts but ruled out an immediate move. Harker highlighted the struggle of businesses with higher interest obligations as a reason for potential rate cuts next year. Investors are eagerly awaiting the US core PCE price index data for insights into the central bank's interest rate trajectory. Technically, the market exhibits fresh buying momentum, with a 1.08% increase in open interest to 15052 and an 88 rupee price uptick. Gold finds support at 62350, potentially testing 62205, while resistance is likely at 62660, with a breakthrough possibly leading to a test of 62825.

Snapshot

- Gold trading range for the day is 62205-62825.
- Gold price picks strength after downbeat final Q3 GDP data, US PCE data still awaited
- A sticky US core PCE report may dampen investors’ short-term appeal for Gold.
- Fed Harker said that rate cuts won’t come sooner than what the market is expecting.
- Few investors still believe that the US central bank is not going to lower rates sooner amid the resilience of the US economy.

Silver



Expiry	Close	Resist 2	Resist 1	Pivot	Support 1	Support 2	Spread	OI Status
5-Mar-24	75426.00	76180.00	75805.00	75460.00	75085.00	74740.00	1110.00	Long Liquidation

Commentary

Silver prices experienced a marginal decline of -0.08% to settle at 75426 as investors carefully analyzed recent economic data and the Federal Reserve's monetary policy stance. Revised figures signaling slower growth in the US economy and corporate profits raised concerns about economic expansion. Despite this, PCE prices in Q3 rose less than expected. The slight increase in Americans filing for unemployment benefits, standing at 205,000, highlighted the tightness in the US labor market, providing flexibility for the Federal Reserve to maintain its terminal rate amid persistent inflation concerns. The US economy expanded by an annualized 4.9% in Q3 2023, slightly below previous estimates, while a report emphasized the ongoing tightness in the job market. Investors are now anticipating the November core PCE index, expecting a 0.2% month-on-month increase with an annual rate decline to 3.3%, its lowest level since 2021. Market projections indicate a 70% likelihood of the Fed implementing the first rate cut in March. From a technical perspective, the market is undergoing long liquidation, with a -0.79% drop in open interest to settle at 14973. Prices have decreased by -60 rupees. Silver is finding support at 75085, and a breach could test 74740 levels. On the upside, resistance is expected at 75805, and a move above may lead to prices testing 76180.

SNAPSHOT

- Silver trading range for the day is 74740-76180.
- Silver settled flat as investors assess the latest economic data and Federal Reserve's monetary policy outlook.
- Revised figures indicated slower growth in the US economy and corporate profits, reigniting concerns about economic expansion.
- The number of Americans filing for unemployment benefits edged higher by 2,000 to 205,000 on the week ending December 16th
- Market projections indicate a 70% likelihood of the Fed implementing the first rate cut in March.

Crude Oil



Expiry	Close	Resist 2	Resist 1	Pivot	Support 1	Support 2	Spread	OI Status
19-Jan-24	6134.00	6308.00	6221.00	6137.00	6050.00	5966.00	29.00	Long Liquidation

Commentary

Crude oil faced a decline of -0.65%, settling at 6134, driven by a surprise build in US crude inventories. This development partially offset concerns about supply disruptions in the Middle East. The U.S. Energy Information Administration (EIA) reported a rise in crude inventories by 2.9 million barrels, contrary to expectations of a 2.3 million-barrel drop. Additionally, U.S. crude oil production reached a record 13.3 million barrels per day, with a weekly increase of 200,000 bpd. The monthly Drilling Productivity Report from the EIA indicated a third consecutive monthly decline in U.S. oil output from top shale-producing regions, projected to drop to 9.692 million bpd in January. Lower production from key regions like Anadarko, Appalachia, and Eagle Ford is expected to contribute to this decline. Ongoing Houthi attacks in the Red Sea disrupting global trade added to market uncertainties. Technically, the market reflects long liquidation with a -6.36% drop in open interest, settling at 11988. Prices saw a decrease of -40 rupees. Crude oil finds support at 6050, and a breach could lead to a test of 5966. Resistance is anticipated at 6221, and a move above may see prices testing 6308.

SNAPSHOT

- Crudeoil trading range for the day is 5966-6308.
- Crude oil fell as a surprise build in US crude inventories partially offset concerns about supply disruptions
- U.S. crude stocks, gasoline and distillate inventories rose last week - EIA
- U.S. crude output rises to record 13.3 million bpd – EIA
- Meanwhile, investors continued to monitor developments in the Red Sea where Houthi attacks on ships disrupted global trade.

Natural Gas



Expiry	Close	Resist 2	Resist 1	Pivot	Support 1	Support 2	Spread	OI Status
26-Dec-23	215.30	227.00	221.10	211.00	205.10	195.00	-8.30	Short Covering

Commentary

Natural gas prices experienced a notable uptick, closing 4.41% higher at 215.3 following the Energy Information Administration's (EIA) report of a larger-than-expected storage draw. The withdrawal of 87 billion cubic feet (bcf) exceeded market projections of 80 bcf, contributing to a decrease in stockpiles to 3.577 trillion cubic feet (tcf). While this is 8.5% above the seasonal norm, it remains within the five-year historical range. Despite the surplus, the upcoming weeks may witness a slowdown in storage withdrawals due to forecasts of milder weather and reduced heating demand. However, the production side presents a contrasting picture, with gas output hitting record highs at 108.6 bcfd this month. Looking ahead, the market anticipates a recovery in prices driven by increased gas demand from new LNG export plants in the US, Canada, and Mexico. Delays at certain export plants may, however, pose challenges for 2024 expectations. From a technical standpoint, the market witnessed short covering as open interest dropped by -22.81% to 14489, coupled with a price increase of 9.1 rupees. Key support is identified at 205.1, below which a test of 195 levels is conceivable. On the upside, resistance is likely at 221.1, and a move above could propel prices to test 227.

SNAPSHOT

- Naturalgas trading range for the day is 195-227.
- Natural gas edged up after EIA reported a bigger-than-expected storage draw.
- Data showed US utilities pulled 87 billion cubic feet of natural gas from storage last week
- Last week's decrease cut stockpiles to 3.577 tcf, 240 bcf higher than last year at this time and 280 bcf above the five-year average
- Forecasts of milder weather and reduced heating demand next week indicate utilities will draw less gas from storage than usual until the end of December.

Copper



Expiry	Close	Resist 2	Resist 1	Pivot	Support 1	Support 2	Spread	OI Status
29-Dec-23	726.00	730.90	728.50	725.60	723.20	720.30	7.55	Short Covering

Commentary

Copper prices saw a marginal increase of 0.01%, settling at 726, as investors trimmed bullish positions amidst a failure to sustain fresh highs. The People's Bank of China (PBOC) assured reasonable liquidity and credit growth, stabilizing market sentiment. Physical copper premiums rose, indicating improved spot buying appetite, driven by demand to replenish stocks in China. PBOC maintained lending rates, with the one-year loan prime rate at 3.45% and the five-year rate at 4.2%, signaling stability. However, challenges loom as Anglo American reduced copper production guidance by 20% and 18% for the next two years. LME warehouse copper stocks increased by 8%, reaching 168,650 metric tons since December 6, but the 21% rise in cancelled warrants suggests potential copper leaving the LME system. Technically, the market experienced short covering, evidenced by a -38.27% drop in open interest to 1660, while prices inched up by 0.05 rupees. Support is identified at 723.2, with a potential test of 720.3 if breached. Resistance is expected at 728.5, and surpassing this level could lead to testing 730.9.

SNAPSHOT

- Copper trading range for the day is 720.3-730.9.
- Copper prices pulled back as investors shed some of their bullish positions
- China will keep liquidity reasonably ample, keep reasonable credit growth
- Copper stocks in LME warehouses have risen 8% to 168,650 metric tons since Dec. 6

Zinc



Expiry	Close	Resist 2	Resist 1	Pivot	Support 1	Support 2	Spread	OI Status
29-Dec-23	223.50	227.20	225.40	224.00	222.20	220.80	3.75	Long Liquidation

Commentary

Zinc prices declined by -0.84%, settling at 223.5, driven by concerns over oversupply following increased arrivals of the metal into London Metal Exchange (LME) warehouses. The total zinc stocks in LME warehouses reached the highest levels since September 2021, raising worries about excess supply. Data from the International Lead and Zinc Study Group (ILZSG) showed that the global zinc market deficit narrowed to 52,500 metric tons in October from a deficit of 62,000 tons in September. However, for the first ten months of 2023, there was a surplus of 295,000 tons, compared to a deficit of 33,000 tons in the same period of 2022, highlighting the changing supply-demand dynamics. In November, China's refined zinc output decreased by 4.23% month-on-month but increased by 10.62% year-on-year. The total output for January to November reached around 6.03 million metric tons, indicating a substantial year-on-year increase. Domestic zinc alloy output in China also experienced a decline in November due to production halts and overhauls in regions like Shaanxi, Hunan, and Yunnan. Smelters' maintenance activities resulted in significant output reductions. Technically, the market is undergoing long liquidation, with a notable drop of -55.79% in open interest, settling at 836. Zinc is finding support at 222.2, with a potential test of 220.8, while resistance is expected at 225.4, and a move above could lead to testing 227.2.

SNAPSHOT

- Zinc trading range for the day is 220.8-227.2.
- Zinc prices dropped on worries about oversupply
- Pressure seen as arrivals into LME warehouses brought the total to the highest levels since September 2021.
- Global zinc market deficit shrinks in October – ILZSG

Aluminium



Expiry	Close	Resist 2	Resist 1	Pivot	Support 1	Support 2	Spread	OI Status
29-Dec-23	199.95	203.60	201.80	200.70	198.90	197.80	3.55	Long Liquidation

Commentary

Aluminium prices experienced a decline of -1.38%, settling at 199.95, driven by an increase in aluminium stocks in London Metal Exchange (LME) warehouses. The LME reported a net inflow of 59,850 metric tons of aluminium, pushing total stocks to 504,475 tons, marking a 13% increase and reaching 2.5-month highs. This surge in stocks suggests surpluses of the metal, commonly used in transport, packaging, and construction. The rise in global primary aluminium output by 2.7% year-on-year to 5.893 million tonnes in November, as reported by the International Aluminium Institute (IAI), added to the bearish sentiment. Demand slowdowns in top consumer China and Europe, coupled with increased Chinese production in the past month due to added capacity, contributed to the market's apprehension. On the supply side, aluminium stocks at major Japanese ports decreased by 3.3% to 330,000 metric tons at the end of November, compared to 341,300 metric tons the previous month. Meanwhile, the People's Bank of China (PBoC) kept lending rates steady in December, maintaining the one-year loan prime rate (LPR) at a record low of 3.45% for the fourth consecutive month. Technically, the market is undergoing long liquidation, with a significant drop of -53.63% in open interest, settling at 735. Aluminium is finding support at 198.9, with a potential test of 197.8, while resistance is expected at 201.8, and a move above could lead to testing 203.6.

SNAPSHOT

- Aluminium trading range for the day is 197.8-203.6.
- Aluminium dropped as LME stocks jumped more than 13% to 2-1/2 month highs
- Global aluminium output rises 2.7% year on year in November – IAI
- China's Nov aluminium imports rise amid robust demand, concerns over supply

News

The U.S. current account deficit was the smallest in more than two years in the third quarter amid rising petroleum exports, government data showed. The Commerce Department's Bureau of Economic Analysis said that the current account deficit, which measures the flow of goods, services and investments into and out of the country, contracted \$16.5 billion, or 7.6%, to \$200.3 billion last quarter. That was the smallest since the second quarter of 2021. The current account gap represented 2.9% of gross domestic product, the smallest share since the first quarter of 2021, and down from 3.2% in the second quarter. The deficit peaked at 6.3% of GDP in the fourth quarter of 2005. The United States is now a net exporter of crude oil and fuel. Though the deficit remains large, it has no impact on the dollar given its status as the reserve currency. Exports of goods increased \$19.1 billion to \$516.4 billion, driven by petroleum and related products. Exports of services rose \$2.7 billion to \$252.2 billion as an increase in personal travel partially offset a decline in technical, trade-related, and other business services.

The budget picture for British Prime Minister Rishi Sunak has deteriorated, official data showed, but a smaller debt interest bill thanks to slowing inflation could yet restore some of his limited room for pre-election tax cuts. Public sector net borrowing, excluding state-owned banks, totalled 116.4 billion pounds (\$147 billion) in the financial year so far, 24.4 billion pounds higher than in the April-November period a year earlier, the Office for National Statistics said. In November alone, the deficit of 14.3 billion pounds was bigger than expected - a poll of economists had pointed to a shortfall of 12.9 billion pounds. Britain's statistics office revised up borrowing for each of the previous seven months by 3.7 billion pounds in total. British borrowing has surged in recent years, first as the government supported the economy during the COVID pandemic and then as it provided massive aid to households and businesses to offset the surge in energy prices in 2022. Thursday's figures served as a reminder of the fragility of the so-called fiscal headroom which Sunak hopes will allow for more tax cuts ahead of elections expected next year.

Japan's government slightly raised its economic growth projections for this fiscal year from its previous estimates, as external demand is likely to more than offset weak domestic consumption, the Cabinet Office said. In the twice-yearly economic outlook, the real economic growth rate for fiscal 2023/24 is estimated at 1.6%, up from 1.3% seen half a year ago as external demand contributed 1.4 percentage points to overall growth, due to a recovery in inbound tourism and automobile output. Auto manufacturing had been hit earlier by chip shortages. The economic growth rate is forecast to slow down slightly to 1.3% in the next fiscal year starting in April as the external demand contribution weakens sharply reflecting a rebound in domestic consumption. The fiscal 2024 economic growth projection is slightly higher than the previous estimate of 1.2%. Domestic demand is expected to rebound in the next fiscal year with the help of planned income tax cuts on top of the ongoing trend of wage hikes, a Cabinet Office official said.

China stood pat on benchmark lending rates at the monthly fixing, matching market expectations, after the central bank kept its medium-term policy rate steady earlier last week. But market watchers continued to expect Beijing to deliver further monetary easing into the new year to support a sputtering economic recovery as deflationary pressure push up real borrowing costs. The one-year loan prime rate (LPR) was kept at 3.45%, while the five-year LPR was unchanged at 4.20%. Most new and outstanding loans in the world's second-largest economy are based on the one-year LPR, which stands at 3.45%. It was lowered twice by a total of 20 basis points in 2023. The five-year rate influences the pricing of mortgages and is 4.20% now. It was lowered by 10 basis points so far this year. The steady fixings came after the central bank kept its medium-term policy rate unchanged, and the one-year LPR is loosely pegged to the medium-term lending facility (MLF) rate. Market participants typically see changes in the MLF as a precursor to changes in the LPR. The People's Bank of China (PBOC) ramped up liquidity injections through medium-term policy loans last week, while keeping the interest rate unchanged.

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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