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GOLD

Market Outlook and Fundamental Analysis:

After register almost 18% gain in last year, bullion continue its shine in first month of this calendar with Gold rally almost 4% register its best monthly gain of last 5-months as worries over economic growth due to the fast-spreading corona virus boosted appetite for safe havens as Bullion added by weakness in World share index which register its worst week at end of the month since Aug last year. The World Health Organization declared the epidemic a global emergency after the virus killed more than 200 people in China and affected thousands globally. Gold scaled a near 7-year high of $1,610.90 per ounce earlier in the month after an Iranian general was killed in an U.S. airstrike, but the rally was short lived. Gold broke above the psychological barrier of $1,500 an ounce in late December on uncertainty surrounding the U.S.-China trade deal and the global economy. Other side, Supply-squeezed Auto-catalyst palladium, which is in short supply, has risen 18% so far this month, its biggest monthly percentage gain since November 2016, which hit a record high of $2,582.19 per ounce on Jan. 20. Silver gain almost 1% which has industrial demand also which may hit due to expected global slowdown, but manage smartly to recover at end of the month. Platinum only precious metal register monthly fall of 2.5% in Jan due to poor demand. Other side, rising stocks which capping gold's gains, it is still being supported by other factors such as uncertainty around U.S. President Donald Trump's impeachment and tensions in the Middle East.

According to one estimates, Demand in China, world largest consumer of Gold, has hit record low levels during the Chinese New Year in 2020 due to the corona virus. A Chinese government economist said China's economic growth may drop to 5% or even lower due to the outbreak, which has spread to more than 10 countries. If so, this offers more room for Bullion as safe assets buying at lower level.

In its latest meet on 28-29 Jan, The Federal Reserve held interest rates steady at its first policy meeting of the year, with the head of the U.S. central bank pointing to continued moderate economic growth and a "strong" job market, and giving no sign of any imminent changes in borrowing costs. "We believe the current stance of monetary policy is appropriate to support sustained economic growth, a strong labor market and inflation returning to our symmetric 2% objective," Fed Chair Jerome Powell said at a news conference following the central bank's unanimous decision to maintain the key overnight lending rate in a range of between 1.50% and 1.75%. But, he added, "uncertainties about the outlook remain, including those posed by the new corona virus." The outbreak of the new flu-like virus in China has led to fears of a further slowdown in the world's second-largest economy. Lower interest rates reduce the opportunity cost of holding non-yielding bullion. The European Central Bank kept interest rates unchanged at its latest policy meeting on Thursday and launched a "strategic review" of its inflation goal and tools. The Bank of England kept interest rates steady in latest meet, saying signs that Britain's economy had picked up since December's election, and that the global economy had stabilized, meant further stimulus was not needed now. In a policy statement, the central bank came up with downbeat economic growth forecasts, saying Brexit would weigh on growth from next year, and it kept the door open to lower rates if the recent signs of a pick-up prove to be illusory.

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The Bank of Japan said on Tuesday it and other central banks including the European Central Bank and Bank of England had formed a group to assess potential cases for central bank digital currencies (CBDCs) in their home jurisdictions. The group - which also includes the central banks of Canada, Sweden and Switzerland, along with the Bank for International Settlements - will assess economic, functional and technical design choices, including cross-border interoperability, and share knowledge on emerging technologies, the BOJ said in a statement on its website.

The much-awaited Phase 1 trade deal was signed by U.S. President Donald Trump and Chinese Vice Premier Liu He on 15th Jan, defusing an 18-month-long row that has roiled global markets. However, the fact that the tariffs are still in place gives more hope that the Phase 2 is being taken more seriously. It is to be noted the Phase 1 deal fails to address structural economic issues, doesn’t fully eliminate the tariffs, and sets hard-to-achieve purchase targets, leaving a number of sore spots unresolved.

For year to come Gold likely to trade higher on environment of low rates, persistent macro uncertainty, and elevated equities makes a case for holding gold as a hedge, which may drive gold demand at every fall for year 2020. While the United States and China cooled their trade war earlier this month, which send bullion lower for few weeks, but several issues remain unresolved and gold should perform well if dollar weakness plays out in year 2020. Other side, palladium also likely to intact its uptrend as it is produced as a by-product of nickel and platinum mining, supply has been unable to keep up, with further shortfalls expected in the early 2020s. The market has been in a structural deficit for a few years now and that’s expected to persist for more quarters.

India, world 2nd largest consumer of gold & one of the largest importer, Its gold imports in January plunged 48% from a year earlier to their lowest in 4 months as a rally in local prices near record highs prompted buyers to curtail purchases, a government source said. Lower buying by the world’s second biggest consumer of the precious metal could weigh on global prices trading near their highest level in almost seven years. India’s gold consumption in 2019 fell 9% from the previous year to 690.4 tonnes, the lowest since 2016, the World Gold Council (WGC) said earlier. Gold consumption in 2020 will likely be 700-800 tonnes, compared with 690.4 tonnes last year, said Somasundaram PR, the managing director of WGC's Indian operations. But government measures aimed at bringing transparency in bullion trading are likely to keep demand below the 10-year average of 843 tonnes, he said.

China, world largest gold consumer, its gold consumption fell for the first time in three years in 2019, latest data showed, as high prices and an economic slowdown hit buying in the world’s biggest gold market.

US nonfarm payroll number, a gauge for FED move, will be closely watched for this week as data will be directly impact bullion prices.

On data side, The U.S. trade deficit fell for the first time in six years in 2019 as the White House’s trade war with China curbed the import bill, keeping the economy on a moderate growth path despite a slowdown in consumer spending and weak business investment. The euro zone economy grew less than expected in the last quarter of 2019, a first estimate showed, while core inflation slowed in January, a worrying sign for the European Central Bank. US core capital goods order dropped by the most in eight months in December and shipments were weak. The Commerce Department said orders for non-defense capital goods excluding aircraft, a closely watched proxy for business spending plans, fell 0.9% last month as demand for machinery, primary metals and electrical equipment, appliances and components declined. Figures showed U.S. homebuilding surged to a 13-year high in December. Retail sales also rose and a gauge of manufacturing activity rebounded to its highest in eight months.

On demand side, Global demand for gold fell in the last three months of last year as sales of gold jewellery, bars and coins declined alongside purchases by central banks and financial investors, according to GFMS report. Central banks and investors had bought large amounts of gold earlier in the year, helping push gold prices up 18% in 2019 to the highest level since 2013. Total physical demand for gold over October-December was 1,033 tonnes, down 9% from the same period in 2018, it said. On the other side of the market, supply dipped 2% year-on-year in the fourth quarter to 1,185 tonnes, the report said.

On domestic Data update, India's dominant service industry began 2020 in a buoyant mood as activity accelerated in January at the fastest pace in seven years on strong domestic demand, a private survey showed. The Nikkei/IHS Markit Services Purchasing Managers' Index rose to 55.5 in January from December's 53.3. India's manufacturing activity expanded at its quickest pace in nearly eight years in January with robust growth in new orders and output, a private survey showed on Monday. The Nikkei Manufacturing Purchasing Managers' Index, compiled by IHS Markit, jumped to 55.3 last month from 52.7 in December. The International Monetary Fund has slashed its estimate on India's 2019 economic growth to 4.8% from the 6.1% expansion it projected in October, citing a sharper-than-expected slowdown in local demand and stress in the non-bank financial sector. The steep cut in India's growth rate has weighed on IMF's projection on the world economy, which it now expects to have expanded 2.9% in 2019 compared with the previous forecast of 3.0%. The markdown has been the highest for India in the latest WEO projections. India's retail inflation accelerated to 7.35%, five year high, in December due to high food prices, government data showed. This also higher than 6.20% forecast in a Reuters poll of analysts. India's industrial output rose 1.8% in November from the same month a year earlier, government data showed on Friday. Analysts polled by Reuters had forecast that November industrial output fell 0.6% year/year. The cumulative growth for April-November over the corresponding period the previous year was 0.6%.

Indian Investors infused Rs 16 crore in gold exchange-traded funds (ETFs) in 2019, after pulling out money from safe-haven assets in the last six years, on fears of a slowdown in the global market and volatility in equity and debt markets. The inflows meant asset under management (AUM) of gold funds surged 26 per cent to Rs 5,768 crore at the end of December 2019 from Rs 4,571 crore at the end of December 2018, data from the Association of Mutual Funds in India (Amfi) showed. As per Amfi data, investors put in a net sum of Rs 16 crore in 14 gold-linked ETFs last year, while they pulled out Rs 571 crore in 2018. The safe haven asset had witnessed an outflow of Rs 730 crore, Rs 942 crore, Rs 891 crore, Rs 1,651 crore and Rs 1,815 crore in 2017, 2016, 2015, 2014 and 2013, respectively. Gold ETFs had seen an inflow of Rs 1,826 crore in 2012.

Going ahead, Key factors to watch for gold next year will be the second phase of the U.S.-China trade negotiations, the U.S. election, global monetary policy, and the investor response to these Developments. While global central bank easing, (the U.S.-China) trade war, economic growth concerns, geopolitical tensions in Mideast and other places, alternative investment demand due to recessionary fears will remain in place, all this lead to Gold as safe haven buying. However, once this consolidation period ends, we can expect gold target the $1,600-1650 level. The outlook for the dollar is also more subdued going into deeper 2020, with growing expectations that a three-year rate-hiking cycle in the United States has come to a close. Also, If U.S. growth slows down next year, as expected, gold would benefit from higher demand for defensive assets. In nutshell, Performance of financial markets,

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monetary policy in key economies including here, and the dollar movement will determine gold demand in 2020. Gold is often used by investors as a hedge against political and financial uncertainty.

Technical Outlook:

On the Daily Chart:

At beginning of the month domestic Gold hit its all time high above 41500 & fall sharply from there due to trade deal between top two economies and profit booking at higher level after technical indicator shows overbought situation. However, price rebound smartly towards end of the month on safe buying due to Corona virus. For now price trading around short term 20-SMA while well above longer term 50 & 200-SMA with recovery in RSI from near 50-mark correction added by above signal line MACD indicate counter is in bull hand and some more room for upside in short to medium term.

In COMEX GOLD is trading at $1565

Expected support and Resistance level for the month

Gold	S1	S2	R1	R2
COMEX/DG CX ($)	1535	1505	1590	1620
MCX (Rs.)	39400	39000	40700	41250

RECOMMENDATION:

MCX Gold Dec: Buy above 40700 Stop Loss 40400 Targets 41250-41550.

Sell Only below 39900 Stop Loss 40300 Target 39450-39000.

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SILVER

Technical Outlook:

On the Daily Chart:

Silver also register multi week high during 1st week of Jan but give up early gains and fall towards 1 ½ month low but manage to take support from retracement level and bounce back towards midpoint of the month. On broader chart still it seems promising to get higher side break out sooner than expected and we price could breach recent high above 51000 in weeks to come. Now a price trading around 20 & 50-SMA but well above 100-SMA with neutral RSI and inch above signal line MACD indicates more consolidation expected before sharp rally in this counter.

Expected support and Resistance level for the month

Silver	S1	S2	R1	R2
COMEX/DG CX ($)	17.40	16.85	18.35	18.85
MCX (Rs.)	45200	44200	47600	49000

RECOMMENDATION:

MCX Silver Dec: Buy Only above 46850 Stop Loss below 46000 Targets 47600-49000
Sell below 45350 S/L above 46300 Target 44200-44000.

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CRUDE OIL

Market Outlook and Fundamental Analysis

After register best yearly gain of last 3-years in 2019, crude prices tested 4-month high in early Jan but at end of the month wipe out all gains and Brent ended down more than 12% and WTI more than 16%, register straight 4th weekly loss on mounting worries about economic damage from the corona virus that has spread from China to around 20 countries, killing more than 200 people. Disruptions in supply chains and travel curbs prompted economists to temper growth expectations for China, the world's second-largest economy. It is to be expected that the outbreak was likely to shave 0.4 percentage point from China's economic growth in 2020 and could also drag the U.S. economy lower. The outbreak could cut China's oil demand by more than 250,000 barrels per day (bpd) in the first quarter. It is to be noted that virus SARS (2002-03), was reduce China's oil demand by roughly 400,000 barrels per day & need to watch this time its impact on oil demand. However prices get some support from Russian Energy Minister Alexander Novak said Russia was ready to bring forward a meeting of OPEC and its allies to February from March to address a possible hit to global oil demand from the virus.

Brent crude oil prices have dropped by almost a fifth since a spike in tensions between the United States and Iran briefly lifted prices above $70 a barrel on Jan. 8. Crude also got pressure from strong dollar as the U.S. dollar rose to its highest since early December against a basket of currencies. Oil prices are usually priced in dollars so a stronger greenback makes crude more expensive for buyers with other currencies.

the World Health Organization declared that the corona virus outbreak in China, which has killed 170 people there, now constitutes a public health emergency of international concern. Majors airlines, including American Airlines, British Airways and Lufthansa, have suspended direct flights to and from mainland China due to the outbreak. Jet fuel demand has slumped in Asia as airlines have cancelled connections.

Latest number from world 2nd largest oil consumer & largest importer China shows, Growth in its factory activity faltered in January. The Purchasing Managers' Index (PMI) fell to 50.0 from 50.2 in December, China's National Bureau of Statistics (NBS) said. The 50-point mark separates growth from contraction. China's economy, the worlds second-largest, grew by 6.1% in 2019, its slowest expansion in 29 years, government data showed. Regardless of trade wars, China's crude oil imports in 2019 surged 9.5% from the previous year, setting a record for a 17th straight year as demand growth from new refineries propelled purchases by the world's top importer, data showed.

Regardless of trade wars, China's crude oil imports in 2019 surged 9.5% from a year earlier, setting a record for a 17th straight year, as demand growth from refineries built last year propelled purchases by the world's top importer, data showed.

OPEC oil output plunged in January to a multi-year low as top exporter Saudi Arabia and other Gulf members over delivered on a new production-limiting accord and Libyan supply dropped due to a blockade of ports and oilfields, a Reuter's survey found. OPEC and non-OPEC's Joint Technical Committee (JTC) has scheduled a meeting over Feb. 4-5 in Vienna to assess the impact of China's new corona virus on oil demand, OPEC+ sources told Reuters. The technical panel is likely to make a recommendation on whether to extend current oil supply curbs beyond March or to implement deeper output cuts. OPEC officials have also started weighing options such as extending current oil output cuts until at least June, with the possibility of deeper reductions if oil demand in China is heavily hit by the virus, OPEC sources said.

In latest meet on Dec 5-6 OPEC and allied oil producers, the so-called OPEC+, have agreed to deepen their output cuts by 500,000 barrels per day expected to last until March. OPEC is likely to shoulder 340,000 bpd in fresh cuts and non-OPEC producers an extra 160,000 bpd, according to sources. Also, OPEC and the wider OPEC+ group plan to meet next on March 5 and March 6, respectively. The cuts next year are in addition to OPEC's current agreement and represent about 1.7% of global oil output. OPEC+ agreed to reduce supply by 1.2 million barrels per day in 2019 through to March as U.S. output continues to climb to record levels. OPEC's share of that cut is 800,000 bpd among the 11 members participating in the deal.

Still, global supplies remain abundant. U.S. crude production climbed 203,000 bpd to a record 12.9 million bpd in November, the U.S. EIA said in its latest monthly report. The latest U.S. rig count data, an indication of future supply from the world's largest crude producer, did little to support oil prices as energy firms added oil rigs for a second consecutive week. However, the number of years of production left in Royal Dutch Shell's oil and gas reserves fell for the sixth year in a row in 2019 to below eight. According to estimates, the days of companies having 15 years of reserves have largely gone, with the energy transition you would expect reserve life to come down. The company's so-called reserve life last increased in 2013 to just below 12 years but it has been on a downward trend ever since and hit 7.9 years in 2019.

U.S. crude inventories grew more than expected last week, while gasoline stocks hit record highs for a second week in a row, the EIA said in its weekly report. Crude inventories rose by 3.5 million barrels in the week to Jan. 24, as refiners cut runs and demand for gasoline and diesel slipped. Gasoline stocks rose for a 12th straight week to an all-time high at 261.2 million barrels, the EIA said. Also, U.S. Gulf Coast distillate inventories rose by 71,000 barrels in the week to Jan. 17 to 46.8 million barrels, the highest since September 2017.

The International Monetary Fund (IMF) trimmed back its 2020 global economic growth forecasts by a tenth of a percentage point to 3.3% because of sharper than expected slowdowns in India and other emerging markets. But the IMF said a U.S.-China trade deal was another sign that trade and manufacturing activity could soon bottom out.

In a latest monthly report, OPEC expects lower demand for its crude oil in 2020 even as global demand rises, it said on Wednesday, as rival producers grab market share and the United States looks set for another output record. It lowered its 2020 demand forecast for OPEC crude by 0.1 million barrels per day to 29.5 million. That would be around 1.2 million bpd lower than in the whole of 2019 and in line with December production, when OPEC's share of global output fell 0.1 percentage point month on month to 29.4%. The United States, which has seen its output soar in recent years powered by shale, will see total liquids output exceed a 20 million barrel per day (bpd) milestone for the first time, the Organization of the Petroleum Exporting Countries forecast in its market report. It raised its forecast for non-OPEC oil supply growth in 2020 by 0.18 million bpd to 2.35 million bpd, up from 1.86 million bpd in 2019.

On the supply front, Overall though, global supplies are likely to continue to rise, with U.S. crude production in large shale deposits expected to rise to record highs in February, though the pace of increase is likely to be the lowest in about year, the U.S. EIA said.

On other update, China, released data showing gasoline exports rose by nearly a third last year thanks to new refineries.

On demand side, demand concerns over a potential epidemic will counter concerns around supply disruptions in Libya, Iran and Iraq, driving spot price volatility in coming weeks.

On domestic Updates, India has abolished import tax on very low sulphur fuel oil (VLSFO) used by ships, according to federal budget documents for 2020/21, to reduce costs for local shipping companies. State-owned Indian Oil Corp has signed a deal with Russian oil major Rosneft giving it an option to buy up to 2 million tonnes, or 40,000 barrels per day (bpd) of crude in 2020, Oil Minister Dharmendra Pradhan said. India has been diversifying its sources of crude oil imports, in order to hedge political risks that threaten to choke off supplies from a particular region or country. India's annual electricity demand in 2019 grew at its slowest pace in six years with December marking a fifth straight month of decline, government data showed, amid a broader economic slowdown that led to a drop in sales of everything from cars to cookies and factories cutting jobs. Industries account for more than two-fifths of annual electricity consumption. Residences account for nearly a fourth and agriculture over a sixth. Electricity demand is seen as an important indicator of industrial output and a sustained decline could mean a further slowdown. India's demand grew at 1.1% in 2019, the slowest pace of growth since the 1% uptick seen in 2013. The power demand growth slowdown in 2013 was preceded by three strong years of consumption growth of 8% or more.

Going ahead, Looking ahead to 2020, some analysts cited abundant global crude stocks as a major obstacle to efforts to rein in output by the Organization of the Petroleum Exporting Countries and its allies such as Russia. Even as OPEC and its non-OPEC partners endeavour to make additional supply cuts in Q1 2020, we are not convinced this will be sufficient to avert large global inventory. But OPEC+ may consider wrapping up their oil output reduction in 2020, Russian Energy Minister Alexander Novak said last week of Dec. But the loss of momentum in global trade growth since the middle of 2018, coupled with fears about a further slowdown or even recession in 2020, has transformed investor sentiment. A slowing global economy could erode oil demand growth in 2019, when supply from non-OPEC countries is forecast to expand at a record pace.

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Technical Outlook:-

On the Daily Chart:

Crude likely to break from its long consolidation of last 13-months as prices fall sharply after corona virus may dampen oil demand at world 2nd largest economy as well for Jet fuel globally after flight restriction by many airlines. However price has strong support zone around 3500 mark which act as immediate trend decider atleast for next 1-2 months. For now prices trading well below all 3-SMA with falling RSI below 30-mark and well below signal line MACD indicates this counter has no support for immediate view and either consolidation or downward journey likely to be continue.

Expected Support and Resistance level for the month

Crude	S1	S2	R1	R2
NYMEX/DG CX ($)	49	44	55	60
MCX (Rs.)	3500	3380	3900	4075

RECOMMENDATION:

MCX Crude: Sell Only below 3550 & 3500 Stop Loss above 3650 Target 3350-3300.
Buy above 3900 Stop Loss above 3780 Target 4030-4100

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Natural Gas

Technical Outlook:

On the Daily Chart:

RECOMMENDATION:

MCX NG : Buy Only above 140 Stop Loss below 134 for Targets of 149-152.
Sell below 130.50 & 129 S/L above 135 Target 123-120 Range

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Base Metals

Market Outlook and Fundamental Analysis

COPPER:

Base metals hit worst with some of them hit multi month to multi year low after latest china Corona virus which expected to curb on demand at world largest base metals consumer. Copper a metal widely considered a gauge of economic health prices slumped by 10% in the month January, marking the heaviest monthly fall since 2015, in a clear warning sign that China's battle with the corona virus could be very bad news for metals demand. Activity in China, the engine-room of global manufacturing, stuttered over much of 2019, but was expected to recover momentum in this year. It was to be assume that Chinese growth story was back on track which helped LME copper to hit 8-month high of $6,343 per tonne on Jan. 16 (till mid of the month). That early-January optimism has been blown away in the last two weeks, with Copper falling every day as the market tracks, with increasing trepidation, the spread of the virus and the draconian measures taken to contain it. Last day of Jan month close was the lowest since September last year, but while funds have liquidated long positions they have not yet turned aggressively short. Zinc end Jan with 3% fall in Jan & hit fresh 3 ½ year low, Lead down 2.35% at June 2019 low, Nickel worst hit almost 10% down at July 2019 low and Aluminum down inch above 3% at 3-month low. The dollar strengthened also pressure metals as investors looked for safe places to park money, putting pressure on metals priced in the greenback by making them more expensive for buyers with other currencies. However, typically, when we have this sort of short-term shock, there's catch-up potential for economic activity once the situation normalises.

The epidemic could slow Chinese growth to 5% or even lower, a government economist said, as authorities extended Lunar New Year holidays and urged staff to stay home.

The World Health Organization (WHO) on Thursday declared the virus outbreak a global health emergency, with the death toll in China touching 213 on 31-Jan and the number of confirmed cases rising to 9,692. If this not prevented within a few weeks, than damage in Commodity market much higher than what expected. While we believe that the 2019-nCoV will likely be better managed by the Chinese authorities and is likely to prove less of a public health threat, we still see downside risks to the economy from the epidemic.

Latest numbers from top metal consumer China shows, Growth in China's factory activity faltered in January as export orders fell, with the purchasing managers' index falling to 50.0 in January from 50.2 in December. other side, Growth in China's services sector activity quickened in January, with the official services PMI rising to 54.1 from 53.5 in December. China's economic growth cooled to its weakest in nearly 30 years in 2019 amid a bruising trade war with the United States. As expected, China's growth slowed to 6.1% last year, from 6.6% in 2018, data from the National Bureau of Statistics showed.

The global world refined copper market showed a 33,000 tonnes deficit in October, compared with a 89,000 tonnes deficit in September, the International Copper Study Group (ICSG) said in its latest monthly bulletin. For the first 10 months of the year, the market was in a 439,000 tonnes deficit compared with a 345,000 tonnes deficit in the same period a year earlier, the ICSG said. World refined copper output in October was 2.07 million tonnes , while consumption was 2.11 million tonnes.

China accounts for nearly half of global copper demand, estimated at 24 million tonnes last year.

Copper might get some support at lower level from low stocks in LME warehouses, which at 182,550 tonnes are down more than 45% since the end of August. A recent Reuter's survey showed analysts on average expect a 160,000 tonne deficit this year in the copper market, estimated at about 24 million tonnes. however, at last week of Jan, a sharp rise in copper stocks has also weighed on prices. Stocks in LME-approved warehouses have climbed more than 50% to 190,075 tonnes, according to bourse data and Weekly data showed a 15% jump in inventories in China to 155,839 tonnes, the highest since September..

The U.S. Federal Reserve will conclude its latest policy meeting with interest rates almost certain to remain on hold.

Copper has given up all of its gains since early December when a rally pushed prices up nearly 10% to eight-month highs as investors welcomed the first phase of a U.S.-China trade deal and hoped for a rebound in economic growth.

On data side, Chinese industrial output in December rose 6.9% from a year earlier, its strongest growth in nine months and above an expected 5.9%. Fixed-asset investment rose 5.4% for the full year, but growth had plumbed record lows in the autumn. China's new home prices grew at their weakest pace in 17 months in December, while new bank lending fell more than expected last month even as lending for 2019 as a whole hit a record. U.S. job growth slowed more than expected in December, but the pace of hiring remains more than enough to keep the longest economic expansion in history on track despite a deepening downturn in manufacturing.

On Supply side, Transportation of metal from MMG Ltd's Las Bambas copper mine in Southern Peru has been halted since Monday, as local communities protested against pollution. Freeport-McMoRan reported a fall in fourth-quarter copper output and said it expected higher spending in 2020 as it transitions its giant Grasberg copper mine in Indonesia to underground mining. A copper and cobalt refinery in Zambia and copper mine in Namibia are set to halt activity in the next two months, union officials said. Antofagasta reported a 5.8% drop in fourth-quarter copper production, citing civil unrest in Chile, though it still registered record annual output.

China's refined copper output rose 11.6% year-on-year in December to a monthly record high of 930,000 tonnes, data released by the National Bureau of Statistics (NBS) showed. The total was also up 2.3% from November, which had set the previous record. Output for the whole of 2019 rose 10.2% year-on-year to 9.78 million tonnes, setting a new annual record high as China, the world's top copper consumer, ramped up smelting capacity.

Other Updates, China's refined tin imports in December were 899 tonnes, customs data showed, more than double from the previous month and almost seven times the level a year ago. China's scrap metal imports in 2019 fell 41.5% from the previous year, with the December intake sinking by 75.2%, customs data showed. Copper production last year in Peru, the world's no.2 copper producer, rose 4% annually to 2.5 million tonnes.

In domestic update, India, the world's third-biggest oil consumer, imports about 84% of its oil needs and traditionally relies on the Middle East for the majority of its supplies, in 2019, India's imports of Middle Eastern oil plunged to a 4-year low, tanker data obtained from sources shows as record output from the United States and countries like Russia offered opportunities for importers to tap other sources.

Going ahead, China stimulus and Tax cut plan may support base metals but trade war will keep prices under pressure for months to come and more focus on Equity market also as any turmoil will reflect in industrial metals also. Already, there are signs the trade frictions between the economic giants are rippling through global supply chains. Chinese authorities are expected to roll out more supportive measures on top of a range of policy initiatives this year. Such measures - mostly medium to long-term policies - are likely to put a floor under the slowing economy in the second half of the year at the earliest.

NICKEL

China's imports of nickel ore from Indonesia leaped by nearly three-quarters in 2019 to 23.9 million tonnes as traders scrambled to ship the material before an export ban from the Southeast Asian nation took effect from this year.

Indonesia's nickel ore output more than doubled in 2019 to 52.8 million tonnes, an official said

The global nickel market deficit tightened to 1,266 tonnes in November from a shortfall of 3,077 tonnes the previous month, the International Nickel Study Group said.

The China Iron and Steel Association recently forecast Chinese steel demand of about 890 million tonnes for 2020, up 2% from 2019.

ZINC & LEAD

The premium of LME cash zinc to the three-month contract increased to $23.75 a tonne, its highest since Nov. 29, indicating tighter availability of LME supplies.

During the month, prices of the metal used to galvanise steel Zinc, earlier touched the highest since Nov. 13 and a gain of more than 10% since early December.

Stocks of zinc in LME-approved warehouses are close to 20-year lows at about 50,000 tonnes, having been on a downtrend since October 2015.

Visible inventories - including those on the LME, in warehouses monitored by the Shanghai Futures Exchange and those held by producers - are estimated at about 1.1 million tonnes. That number is also very low, equating to about 30 days of global consumption rather than normal 50 days.

Global Zinc consumption is estimated at 14 million tonnes this year.

China, Annual lead output was up 14.9% at an all-time high of 5.8 million tonnes in 2019, with December production rising 9.4% year-on-year to a monthly record 595,000 tonnes, Output of lead's sister metal zinc also hit a record 607,000 tonnes in December, up 19.5% on the same month in 2018, while annual zinc production rose 9.2% to 6.24 million tonnes, the highest yearly total since 2016.

LME cash lead moved to a $5 premium over three-month metal from a discount of more than $20 earlier this month, pointing to tighter nearby supply. However, the lead market widened its surplus in November, the International Lead and Zinc Study Group said, adding that the market was roughly in balance in November.

Around 12 million tones of lead are consumed each year.

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ALUMINIUM

China's annual aluminium production fell for the first time in 10 years in 2019 to 35.04 million tonnes on softer demand and large-scale smelter outages, but December output of 3.04 million tonnes was the second-highest monthly figure on record.

Indonesian state-owned smelting company PT Indonesia Asahan Aluminium will raise its annual smelter capacity to a million tonnes in the next six to seven years from 250,000 tonnes now, its managing director said.

Base Metals

TECHNICAL OUTLOOK:

COPPER:

On the Daily Chart:

Copper register multi month high during 1st half of the month Jan but fall sharply after Corona virus at world largest metal consumer china where demand might affected resulted in pressure in all base metal complex. For now prices hovering around all 3-SMA with rebound in RSI from 30-mark and recovery in MACD which still below signal line indicates some relief rally in counter, but for uptrend more confirmation required.

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Expected Support & Resistance level for the month

Copper	S1	S2	R1	R2
MCX	429	420	440	450

RECOMMENDATION:

COPPER MCX:- Sell below 429 Stop Loss above 434 Target 421-418 Range.
Buy above 440 Stop loss below 434 Target 450-453.

LEAD:

Technical Outlook:

Expected support and Resistance level for the month

Lead	S1	S2	R1	R2
MCX	144	141	149	154

RECOMMENDATION:

LEAD M MCX: - Sell below 144.50 Stop Loss above 147 Target 140-138.
Buy Only above 149 Stop Loss below 146 Target 154-158

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ZINC

TECHNICAL OUTLOOK:

Expected Support & Resistance level

Zinc	S1	S1	R1	R2
MCX	170	165	176	181

RECOMMENDATION:

ZINC MCX :- Sell Only below 171 & 170 Stop Loss above 173 Target 165-164 Range
Buy above 176.50 Stop Loss below 174 Target 181-184

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NICKEL

TECHNICAL OUTLOOK:

Expected Support & Resistance level

Nickel	S1	S1	R1	R2
MCX	927	900	970	1000

RECOMMENDATION:

Nickel MCX :- Sell below 940 Stop Loss above 955 Targets 910-900
Buy Only above 970 Stop Loss below 950 Targets 995-1010

RESEARCH BONANZA
COMMODITY MONTHLY OUTLOOK
Mr. VIBHU RATANDHARA
Date: 6th February,2020

MONTHLY BULLETIN (RESEARCH) Date 6th Feb 2020

Disclosure:

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