MONTHLY BULLETIN (RESEARCH) Date 10th Jan 2021

GOLD

Market Outlook and Fundamental Analysis:

Bullion on track for its best year in a decade on economic uncertainty and as governments worldwide doled out massive stimulus to lessen the impact of the COVID-19 pandemic. At end of 2020, spot gold rally almost 25% while best performing silver gain 48% followed by palladium up for 5th straight year gaining 25% and platinum also register 2nd consecutive yearly gain of about 10% in 2020 as global central banks and governments have delivered economic stimulus, laying the ground for higher inflation and currency debasement. Dollar hit lowest level since April 2018 following U.S. Senate Majority Leader Mitch McConnell's decision to delay a vote on increasing COVID-19 relief checks to $2,000.

Dollar index down 7% in 2020, a worst year since 2017. Pain not seen over as U.S. Commodity Futures Trading Commission data - shows $30 billion in net dollar shorts, swinging from last December's $17 billion net long. This might due to the Federal Reserve cut interest rates near 0%, it kicked away the dollar's yield advantage over peers. And it still has room to ease policy.

Underpinning most bets is the view that the Federal Reserve, European Central Bank, Bank of Japan, Bank of England and People's Bank of China will keep the cheap money flowing. Central banks worldwide spent $1.3 billion an hour since March on asset purchases, BofA calculates. There were also 190 rate cuts in 2020 year - roughly four every five trading days.

The U.S. Federal Reserve will remain extraordinarily accommodative through 2022 and an increasingly progressive Democratic Party is looking to borrow and spend aggressively, based on that, the U.S. dollar has been slumping badly and can't manage any rally, which is bullish for gold. All this will support bullion price at every dip in months to come.

Global coronavirus cases continued to climb, with British Prime Minister Boris Johnson hinting at tougher lockdown restrictions, while Japan considered declaring a state of emergency for capital Tokyo and surrounding areas. Britain will become the first country to roll out the low-cost and easily transportable AstraZeneca and Oxford University COVID-19 vaccine.

China's net gold imports via Hong Kong rebounded about 82% in November after a plunge in October, Hong Kong Census and Statistics Department data showed.

Latest data shows, U.S. manufacturing activity rose to its highest level in nearly 2-1/2 years in December likely as spiraling new COVID-19 infections pulled demand away from services towards goods. The U.S. economy grew at a record pace in the third quarter, fueled by more than $3 trillion in pandemic relief, the government confirmed on Tuesday, but appears to have lost momentum as the year drew to an end amid raging new COVID-19 cases and dwindling fiscal stimulus.

India's gold imports in 2020 slumped to the lowest in more than a decade as the coronavirus pandemic battered demand and logistics, while higher prices kept buyers in the second-largest consuming nation on the sidelines. Overseas purchases fell to 275.5 tons last year, according to a person familiar with the data, who asked not to be identified as the information isn't public. That's the lowest in records going back to 2009, according to World Gold Council data.

US Nonfarm payrolls, a gauge for economy & interest rates, U.S. private companies unexpectedly shed workers in December for the first time in eight months as out-of-control COVID-19 infections unleashed a fresh wave of business restrictions, keeping consumers from restaurants, bars and other services industry establishments. Private payrolls decreased by 123,000 jobs last month, the ADP National Employment Report showed. Economists polled by Reuters had forecast private payrolls would rise by 88,000 in December.

On data side, U.S. services industry activity accelerated in December, but sky-rocketing COVID-19 infections depressed employment, heightening the risk that the economy shed jobs for the first time since the labor market recovery from the pandemic started. The United States' trade deficit surged to its highest level in more than 14 years in November as businesses boosted imports to replenish inventories, offsetting a rise in exports. A closely watched gauge of growth in British manufacturing activity rose to its highest level in three years last month, as factories rushed to complete work before the end of the post-Brexit transition period on Dec. 31.

On domestic Data update, Economic downturn due to coronavirus pandemic and weakness in the US dollar encouraged investors to infuse a whopping Rs 6,657 crore in gold exchange-traded funds in India in 2020. In comparison, a net inflow of just Rs 16 crore was seen in the entire 2019. The inflow came after witnessing a net pullout from safe-haven assets for six consecutive years, mainly on fears of a global slowdown and volatility in equity and debt markets. Assets under management of gold funds surged over two-fold to Rs 14,174 crore at the end of December 2020 from Rs 5,768 crore a year ago, data from the Association of Mutual Funds in India showed. Growth in India's dominant services industry continued to lose momentum in December as resurgence in coronavirus infections weighed on new business and employment, a private survey showed

Going ahead, Global commodity markets ended 2020 on a strong note, with recovering demand and widespread stimulus packages buoying prices after a roller coaster ride caused by the global coronavirus pandemic. Rollouts of vaccines to combat the virus and trillions of dollars' in fiscal support are expected to boost investment and spending in 2021, spurring demand for raw materials from oil to copper. 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, monetary policy in key economies including here, and the dollar movement will determine gold performance in 2021. Gold could move higher with risk assets next year as long as monetary and fiscal conditions remain accommodative, while lower yields will encourage investors to hedge riskier assets with gold. Given the rising inflation expectations, weakening dollar and lofty valuations in some risky assets, demand for safe-haven inflation hedges should remain supported this year, and we can expect gold to test its all time high above $2,100/toz in this year. Gold is often used by investors as a hedge against political and financial uncertainty.

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Technical Outlook:

On the Daily Chart:

In COMEX GOLD is trading at $1845

Expected support and Resistance level for the month

Gold	S1	S2	R1	R2
COMEX/DG CX ($)	1815	1760	1920	1960
MCX (Rs.)	48600	48200	50800	51900

RECOMMENDATION:

MCX Gold Dec: Buy above 50800 Stop Loss 50500 Targets 51800-52400.
Sell Only below 48900 Stop Loss 49300 Target 48200-48000.

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SILVER

Technical Outlook:

On the Daily Chart:

Expected support and Resistance level for the month

Silver	S1	S2	R1	R2
COMEX/DG CX ($)	24.30	21.90	27.25	30
MCX (Rs.)	63600	62300	69900	71700

RECOMMENDATION:

MCX Silver Dec: Buy Only above 69900 Stop Loss below 68900 Targets 71700-72500
Sell below 65100 S/L above 66200 Target 63600-62300.

CRUDE OIL

Market Outlook and Fundamental Analysis

Energy complex end year with lots of more than a fifth of its value in 2020, as lockdowns to combat the Covid-19 depress economic activity and send oil market reeling. Still, Brent and U.S. crude benchmarks have more than doubled from April's nadir as producers cut output to match weaker demand. News of coronavirus vaccine distributions also bolstered prices in the fourth quarter, helping futures recover to the highest in about 10 months. For the year Brent fell 21.5% and WTI falling 20.50%, U.S. gasoline futures fell 17% for the year, while U.S. heating oil futures dropped 27%. Prices for 2020 bottomed in April as fuel demand collapsed due to the COVID-19 pandemic and after a price war between oil giants Saudi Arabia and Russia. WTI plummeted to a record low negative-$40.32 per barrel, while Brent fell to $15.98 barrel, the lowest since 1999. Though prices have climbed the last two months, additional lockdowns have weighed again on fuel demand and a new, highly infectious variant of the virus has raised alarms.

Earlier till mid of the month Oil at a 9-month high, rounding out 7-straight weeks of gains as investors focused on the rollout of COVID-19 vaccines and a decline this week in the U.S. dollar.

U.S. natural gas futures posted their biggest yearly gain since 2016, helped by record liquefied natural gas (LNG) exports.

The OPEC+ group of oil producers agreed to roll over existing oil output levels into February, but with Saudi Arabia voluntarily cutting production below its quota and Russia and Kazakhstan being allowed to raise, an OPEC+ source said.

U.S. world largest crude oil consumer, crude oil production was down more than 2 million barrels per day (bpd) in October from earlier this year, as weak prices and tepid demand due to the coronavirus pandemic weighed on output, a latest government report showed. The report suggested that crude demand in the world's largest economy remained below the highs of earlier this year, and production was largely flat since cuts began in the spring. Total U.S. oil demand in October was down by 2.15 million bpd, or more than 10% below the same month a year earlier. The decline was sharper than the 9.5% seen in September.

US Crude inventories fell by 6.1 million barrels in the latest week of the year to 493.5 million barrels, exceeding analysts' expectations in a Reuters poll for a 2.6 million-barrel drop, as crude oil exports rose. Distillate stockpiles, which include diesel and heating oil, rose by 3.1 million barrels in the week to 152.03 million barrels, versus expectations for a 0.5 million-barrel rise, the EIA data showed. U.S. gasoline stocks fell by 1.2 million barrels in the week to 236.56 million barrels, the EIA said, compared with analysts' expectations in a Reuters poll for a 1.7 million-barrel rise.

At end of the month, U.S. energy firms added oil and natural gas rigs for a sixth week in a row in the best quarter for boosting the rig count since the second quarter of 2017 as producers return to the wellpad with crude prices holding above $45 a barrel. During December, the total rig count rose by 31, its fifth monthly increase in a row. For the quarter, the count was up 90, the most in a quarter since the second quarter of 2017 when it rose by 116 rigs. For the year the count was down

454. That compares with a decrease of 278 rigs in 2019 and an increase of 154 rigs in 2018. Looking forward, most energy firms have said they plan to cut spending in 2021 as they stay focused on improving earnings rather than just boosting output.

OPEC oil output rose for a sixth month in December, a Reuters survey found, buoyed by further recovery in Libyan production and smaller rises elsewhere in the group. The 13-member Organization of the Petroleum Exporting Countries pumped 25.59 million barrels per day (bpd) in December, the survey found, up 280,000 bpd from November and a further increase from a three-decade low reached in June. OPEC output is set to rise further in January after OPEC+ - which groups OPEC and other producers including Russia - agreed to ease output cuts.

Oil production in Russia declined last year for the first time since 2008 and reached its lowest level since 2011 following a global deal to cut output and sluggish demand caused by the coronavirus, statistics showed on Saturday. Russian oil and gas condensate output declined to 10.27 million barrels per day (bpd) last year, according to energy ministry data cited by the Interfax news agency. The sharp decline was almost in line with expectations.

On domestic Updates, India's fuel consumption in December rose for a 4th straight month as economic activity and transport demand continued to recover from a coronavirus-led hiatus. Consumption of fuel, a proxy for oil demand, rose 4.1% to 18.6 million tonnes in December, the highest since January 2020, data from the Petroleum Planning and Analysis Cell (PPAC) of the Ministry of Petroleum & Natural Gas showed. However, on an annual basis, demand slipped by 1.8%, indicating that consumption in Asia's third-largest economy hasn't yet reached pre-pandemic levels. India's power consumption grew by 6.1 per cent to 107.3 billion units (BU) in December, showing spurt in economic activities, according to official data. After a gap of six months, power consumption recorded a year-on-year growth of 4.5 per cent in September and 11.6 per cent in October.

Going ahead, Oil prices are unlikely to mount much of a recovery in 2021 as a new coronavirus variant and related travel restrictions threaten already weakened fuel demand. A new variant of the coronavirus detected in Britain raises the risk of renewed restrictions and stay-at-home orders, which along with a phased rollout of vaccines might restrict further price gains. Additional lockdown measures and the careful OPEC+ dance of raising output will be the focal point for the first half of the year.

Technical Outlook:-

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On the Daily Chart:

Expected Support and Resistance level for the month

Crude	S1	S2	R1	R2
NYMEX/DG CX ($)	49.70	47	54	57
MCX (Rs.)	3625	3400	3985	4100

RECOMMENDATION:

MCX Crude: Sell below 3790 Stop Loss above 3900 Target 3610-3400.
Buy above 3975 Stop Loss below 3890 Target 4100-4200

Natural Gas

Technical Outlook:

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RECOMMENDATION:

MCX NG : Buy above 213 Stop Loss below 207 for Targets of 221-227.
Sell below 190 S/L above 197 Target 181-175 Range

Base Metals

Market Outlook and Fundamental Analysis

COPPER:

Base metals continue its winning spree on last month of the year with gain across all counters thanks to top metal consumer China unleashed heavy stimulus spending on infra, resulted in better than expected its economic numbers helps base metals prices towards multi month to multi year high. All this added by sooner global economic activity than expected earlier in vaccine hope from Covid, weakness in dollar and technical buying after break-out from multi month consolidation. However some pressure seen at end of the month as surging coronavirus infections raised fears that new lockdowns will stifle economic recovery. Copper register 3rd consecutive monthly gain of more than 2% in Dec, towards Feb 2013 high and 27% return in year 2020. Aluminum fall 2.5% in Dec and 11% gain in year 2020. Zinc down 1% but rally 21% in year 2020. Lead down 4% in Dec but gain 3% in year 2020 and Nickel gain 4% in Dec buy 17% rally in year 2020.

Prices of most industrial metals rose at end of the month, after U.S. President Donald Trump signed a stimulus package that would support the world's biggest economy and boost demand for metals.

Also, supporting metals was a weaker dollar index, which slumped to two-year lows. A weaker dollar makes commodities priced in the U.S. currency cheaper for buyers using other currencies.

Latest numbers from top metal consumer China shows, profits at industrial firms that grew in November for a seventh straight month, supported by strong industrial production and sales, as factories continue their recovery from the COVID-19 slump. Factory output in China grew at its fastest pace in 20 months in November as revived consumer spending and a gradual easing of COVID-19 restrictions in major trading partners lifted demand for the country's manufactured goods. Prices of new homes in China rose at a slower pace in December, with tightening policies continuing to cool the market, a private survey showed, but price growth in 2020 still topped the previous year's pace despite the coronavirus pandemic.

Copper Inventories in warehouses registered with the LME, Comex and the Shanghai Futures Exchange (ShFE) are falling, with ShFE stockpiles at their lowest since 2011.

The 24-million tonne a year refined copper market showed a 155,000-tonne deficit in September after a 72,000-tonne deficit in August, the International Copper Study Group (ICSG) said. A global zinc market surplus expanded in October and the lead market was in deficit, the International Lead and Zinc Study Group (ILZSG) said.

Global copper demand will increase by 4% to 23.6 million tonnes in 2021, driven mainly by China's strong appetite for the metal, after a projected 3.8% contraction this year, according to ANZ.

Global primary aluminium output rose in November to 5.471 million tonnes, up 4.1% year on year, data from the International Aluminium Institute (IAI) showed.

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

On Data side, Manufacturing output in the United States rose more than expected in November, boosted by motor vehicle production. British new car sales fell nearly 30% last year in their biggest annual drop since 1943, World war – 2, as lockdowns to curb the spread of the coronavirus hit the sector, an industry body said. U.S. home sales fell more than expected in November after five straight month of gains amid a shortage of properties and more expensive houses, but the housing market remains underpinned by record low mortgage rates.

Separately, Nickel output in the Philippines, the biggest exporter of the material to top metals consumer China, dropped 12% in the first nine months of the year. Nickel has risen 60% from a low in March as industry in China, the biggest steel producer, rebounded from coronavirus closures.

Going ahead, as per latest numbers effect of Covid-19 will likely to be longer than expected and play a bigger role to decide fresh direction for global growth as well base metals Prices. However, stimulus offer by various countries including China, US, EU… may support base metals at lower level but all will depend on how long global shut down will remain & ultimate its effect on different countries economy & trade. 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.

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Base Metals

TECHNICAL OUTLOOK:

COPPER:

Expected Support & Resistance level for the month

Copper	S1	S2	R1	R2
MCX	607	590	632	650

RECOMMENDATION:

COPPER MCX:- Sell Only below 607 Stop Loss above 618 Target 595-590 Range.
Buy above 631 & 632 Stop loss below 624 Target 643-650.

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LEAD:

Technical Outlook:

Expected support and Resistance level for the month

Lead	S1	S2	R1	R2
MCX	162	155	166.5	170

RECOMMENDATION:

LEAD M MCX: - Sell below 159 Stop Loss above 163 Target 155-152.
Buy Only above 167 Stop Loss below 161 Target 173-175

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ZINC

TECHNICAL OUTLOOK:

Expected Support & Resistance level

Zinc	S1	S1	R1	R2
MCX	215	211	222	227

RECOMMENDATION:

ZINC MCX :- Sell Only below 217 Stop Loss above 221 Target 211-210 Range
Buy above 227 Stop Loss below 223 Target 232-235

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NICKEL

TECHNICAL OUTLOOK:

Expected Support & Resistance level

Nickel	S1	S1	R1	R2
MCX	1248	1215	1300	1335

RECOMMENDATION:

Nickel MCX :- Sell below 1248 Stop Loss above 1275 Targets 1210-1200
Buy Only above 1335 Stop Loss below 1310 Targets 1375-1400

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BONANZA COMMODITY BROKERS PVT. LTD.

DATE- Jan 10th, 2021

Disclosure:

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