MONTHLY BULLETIN (RESEARCH) Date 7th Jan 2023

GOLD

Market Outlook and Fundamental Analysis:

Bullion register second consecutive monthly gain after 7-months of decline thanks to sharp fall in dollar index after US FED hint for slower interest rates hike spree and safe haven buying from recession fear at the time of ongoing geopolitical tension. However, slower growth expected at China, largest importer, cap gain at higher level. Lower interest rates tend to improve gold's appeal as it reduces the opportunity cost of holding the non-yielding bullion. Spot gold gain 3% to hit fresh June month high and silver register 4th straight monthly gain of more than 7% for Dec month. Against this Dollar index register 3rd consecutive monthly fall by more than 2% to hit June this year low. Gold is known as a safe investment during economic and geo-political crisis, but a high-interest rate environment makes the non-yielding asset less attractive to investors in last year and now scenario seen changing and that factors seen in favors of Bullion.

For calendar year 2022, domestic gold market rally more than 13%, having recovered from a more than 2-year low hit in September, while silver gain 10%. However, spot gold has lost around 1% in 2022, down for a second year, silver is up almost 3%, platinum has gained 9% and palladium is down 4%. So Bullion gain in domestic market largely bcoz of hike in Duty and Rupee depreciation against the dollar. Gold also seen their best quarter since June 2020 on Q4-2022 on investor expectations the U.S. Federal Reserve will slow its interest rate hikes after a fast-paced tightening cycle tempered bullion's safe-haven rally this year. For most of the year, gold was under pressure from a hawkish Fed. But by the end of the year, it saw some recovery and got a lifeline on expectations that the Fed might slow down. The dollar has gained more than 8% over the year, but it lost more than 7% this quarter on expectations the Fed may not raise rates as high as previously feared.

The Fed last year hiked its policy rate by 425 basis points from near zero to a 4.25%-4.50% range, the highest since late 2007. Last month, it projected at least an additional 75 basis points of increases in borrowing costs by the end of 2023.

On the technical front, gold is trading above its 50-day, 100-day and 200-day moving averages, which is considered a bullish signal and this likely to attract more hedge funds & investors which benefit on its prices at every dip. While gold has shed 15% since its March peak after the Fed began tightening monetary policy, it has gained about 7% since the beginning of November as markets started pricing in a slower pace of rate hikes.

The Fed's monetary policy meeting delivered a widely expected 50 basis point rate increase and projected borrowing costs will rise by an additional 75 basis points by the end of 2023 - half a percentage point higher than officials forecast in September. Such a move would take the fed funds rate to around 5.1%, according to the median estimate in the Fed's quarterly summary of economic projections - a level not seen since 2007. The fed funds rate currently stands in the 4.25%-4.50% range.

The European Central Bank raised interest rates for the fourth time in a row, although by less than at its last two meetings, as it raised the interest rate it pays on bank deposits from 1.5% to 2% and decision marked a slowdown in the pace of tightening from 75-basis-point hikes at each of the two previous meetings, as inflation shows signs of peaking and a recession looms. The ECB also laid out plans to stop replacing maturing bonds from its 5 trillion euro ($5.31 trillion) portfolio, reversing years of asset purchases.

The Bank of England raised its key interest rate by half a percentage point to 3.5%, its highest since 2008 and indicated that more hikes were likely, despite a looming recession, as it tries to bring down inflation that hit a 41-year high in October.

India's central bank raised its key policy rate by 35 basis points to 6.25%, the highest in over three years and its fifth straight increase, and vowed there will be no let up in its fight to tame high inflation. Das said the worst of this year's inflationary spike "is behind us" but warned there was no room for complacency. The MPC lowered its GDP growth projection for financial year 2022/23 to 6.8% from 7% earlier, while keeping its retail inflation forecast steady at 6.7%.

US Nonfarm payrolls, a gauge to interest rates decision, shows economy maintained a strong pace of job growth in December, with the unemployment rate falling to 3.5% from 3.6% and Nonfarm payrolls increased 223,000 last month against economists polled by Reuters had forecast payrolls increasing by 200,000 jobs and data for November was revised lower to show 256,000 jobs added instead of 263,000 as previously reported. Monthly job growth is well above the pace needed to keep up with growth in the working age population. The labor market has remained strong, despite the Fed embarking last March on its fastest interest rate-hiking since the 1980s. U.S. private payrolls increased more than expected in December, pointing to still-strong demand for labor despite higher interest rates, as private employment increased by 235,000 jobs last month, the ADP National Employment report showed against economists polled by Reuters had forecast private jobs increasing 150,000. Data for November was unrevised to show 127,000 jobs added.

The minutes of the latest U.S. FED meeting shows, all officials at the Dec. 13-14 policy meeting agreed the U.S. central bank should slow the pace of its aggressive interest rate increases, allowing them to continue increasing the cost of credit to control inflation but in a gradual way meant to limit the risks to economic growth. Policymakers still focused on controlling the pace of price increases that threatened to run hotter than anticipated and worried about any “misperception in financial markets that their commitment to fighting inflation was flagging. But officials also acknowledged they had made "significant progress" over the past year in raising rates enough to bring inflation down.

In October, available data shows central banks added a further net 31t of gold to international reserves (-41% m-o-m). This helps lifts global official gold reserves to its highest level since November 1974 (36,782t). China's central bank said it had added 32 tonnes of gold worth around $1.8 billion to its reserves, the first time it has disclosed an increase since September 2019. The additions bring China's reported holdings at the end of November to 1,980 tonnes, worth around $112 billion. China has the world's sixth-largest official national gold reserves after countries including Russia, Germany and the United States, which is the biggest with 8,133.5 tonnes. The World Gold Council (WGC) said last month that central banks globally bought 399 tonnes of gold in the third quarter of 2022, by far the most ever in a single three-month period. It said much of that gold was bought by central banks that did not publicly report purchases, fuelling speculation that countries like China or Russia may be stockpiling.

On data side, US GDP increased at a 3.2% annualized rate last quarter, the government said in its third estimate of GDP. That was revised up from the 2.9% pace reported last month. The economy had contracted at a 0.6% rate in the second quarter.

On domestic Data update, India's services industry saw activity increase at the fastest pace in six months during the final month of 2022 amid robust demand, as The S&P Global India services PMI rose to 58.5 in December from 56.4 in the previous month, confounding expectation in a Reuters poll for a fall to 55.5. The index was above the 50-mark separating growth from contraction for the 17th straight month - the longest stretch of growth since June 2013. India December manufacturing PMI, compiled by S&P Global, rose to 57.8 in December from November's 55.7 and against Reuters forecast for 54.3 due to business conditions improved at the fastest rate in over two years while growth in new orders and output accelerated. December's reading was the highest since October 2020 and above the 50-mark that separates growth from contraction for an 18th straight month.

Meanwhile, Bitcoin ends 2022 robbed of its cocktail of cheap money and leveraged bets. The pre-eminent crypto currency has lost 60% of its value, while the wider crypto market has shrunk by $1.4 trillion, squashed by the collapse of Sam Bankman-Fried's FTX empire, Celsius and supposed "stablecoins" terraUSD and Luna.

Going ahead, Gold price moves will continue to be dictated by the Fed’s response to bubbling inflation in 2023. Due to the IMF's revised global GDP prediction, reducing inflation, the halt in interest rate hikes, the weakening dollar, and China's reopening, the global commodities market is anticipated to exhibit a mixed trend in 2023, and the global economy is currently experiencing a slowdown. This is likely to have a mixed effect on the commodities market as well Bullion.

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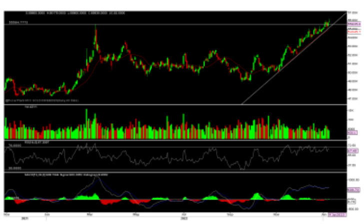
Technical Outlook:

On the Daily Chart MCX:



In COMEX GOLD is trading at $1870

Expected support and Resistance level for the month

Gold	S1	S2	R1	R2
COMEX/DG CX ($)	1805	1770	1885	1920
MCX (Rs.)	55000	54400	56200	56800

Mcx Trend seen Bullish as long S1 hold downside, while Sustain close above 56200 seen prices towards R2.

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SILVER

Technical Outlook:

On the Daily Chart MCX:

Expected support and Resistance level for the month

Silver	S1	S2	R1	R2
COMEX/DG CX ($)	22.50	20.60	24.60	26.20
MCX (Rs.)	67800	66700	71200	73500

MCX trend seen Bullish as long hold S1, While Sustain above 71200 seen Sharp Rally towards R2.

CRUDE OIL

Market Outlook and Fundamental Analysis

Energy complex register a 2nd annual gain with benchmark Brent rally 8% after jumping 50% in 2021 and WTI fain 4.2% following last year gain of 55%, as the year seen volatile marked by tight supplies because of the Ukraine war and weakening demand from the world's top crude importer, China. Brent oil futures have risen above $139 per barrel earlier in 2022, not far off their all-time high seen in 2008, but have since dropped to around $85 per barrel on a weaker economic outlook and modest Russian export disruptions. Oil's fall in the second half of 2022 came as central banks hiked interest rates to fight inflation, boosting the U.S. dollar. That made dollar-denominated commodities a more costly investment for holders of other currencies. While an increase in year-end holiday travel and Russia's ban on crude and oil product sales are supportive, supply tightness will be offset by declining consumption due to a deteriorating economic environment.

Russia may cut oil output by 5%-7% in early 2023, as it responds to price caps on its crude and refined products, and halt sales to the countries that support them, Deputy Prime Minister Alexander Novak told state television on Friday. He also said that Russian oil production is expected to rise this year to 535 million tonnes (10.7 million barrels per day) from 524 million tonnes in 2021, while natural gas output will fall by up to a fifth to 671 billion cubic metres. On oil, the European Union, G7 nations and Australia introduced a $60 per barrel price cap from Dec. 5, in addition to the European Union's embargo on imports of Russian crude by sea and similar pledges by Britain, Canada, Japan and the United States.

Meanwhile, Russia said it aims to ban oil sales from Feb. 1 to countries that abide by a G7 price cap imposed on Dec. 5, although details of how the ban would work were unclear.

Last week of the last month, U.S. crude oil inventories rose unexpectedly last week as imports climbed and exports fell, the EIA report shows.

Despite the Russia-Ukraine war, the crude oil market has suffered greatly in 2022 since production and demand were nearly balanced. With China reopening in 2023 and OPEC cutting back on oil production, global oil consumption is projected to rise once more. As COVID-19 limits are loosened, mobility will likely grow, which would in turn boost China's imports of crude oil.

India's fuel consumption, a proxy for oil demand, rose 3.1% year on year in December to 19.60 million tonnes, data from the Petroleum Planning and Analysis Cell (PPAC) of the oil ministry showed. Sales of gasoline, or petrol, were 5.9% higher at 2.98 million tonnes. Cooking gas or liquefied petroleum gas (LPG) sales increased 3.9% to 2.58 million tonnes.

U.S. Full-year auto sales are forecast to be about 13.9 million units, down 8% from 2021 and 20% from the peak in 2016, according to industry consultant Cox Automotive.

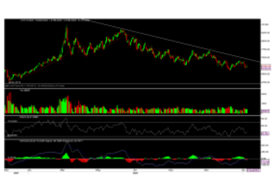
India. world's third biggest oil importer and consumer, Retail sales of vehicles in India could take a hit in the final quarter of the fiscal year, an automobile dealers' body said while reporting a more than 5% year-on-year fall in sales for December at 1.62 million units. FADA data also showed that sales of two-wheelers, which account for 60%-70% of total vehicle sales, dropped 11.2% to 11,33,138 units.

OPEC in its monthly report, stuck to its forecasts for global oil demand growth in 2022 and 2023 after several downgrades, saying that while economic slowdown was "quite evident" there was potential upside such as from a relaxation of China's zero-COVID policy. OPEC trimmed the absolute demand forecasts in the fourth quarter of 2022 and the first quarter of 2023. Chinese demand, hit by COVID containment measures, has contracted in 2022.

Going ahead, Oil prices are set for small gains in 2023 as a darkening global economic backdrop and COVID-19 flare-ups in China threaten demand growth and offset the impact of supply shortfalls caused by sanctions on Russia. It is to be expected that oil demand will grow significantly in the second half of 2023, driven by the easing of COVID-19 restrictions in China and by central banks adopting a less aggressive approach on interest rates.

Technical Outlook:-

On the Daily Chart MCX:



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Expected Support and Resistance level for the month

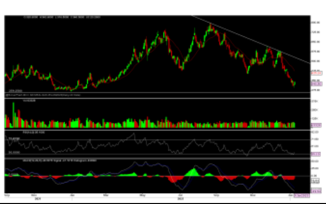
Crude	S1	S2	R1	R2
NYMEX/DG CX ($)	70	65.50	83.50	94
MCX (Rs.)	6000	5900	6450	6800

MCX trend seen Bearish as long hold R1, While Sustain Close below 5900 seen towards 5600-5500.

Natural Gas

Technical Outlook:

On the Daily Chart MCX:



Natural Gas	S1	S2	R1	R2
MCX (Rs.)	315	295	345	367

MCX trend seen Bearish as long hold R1, While Sustain Close below 297 seen towards 280-275 belt.

Base Metals

Market Outlook and Fundamental Analysis

COPPER:

Base metal complex seen a second consecutive monthly gain after 7-month of fall thanks to top metal consumer China reopening news from Covid restrictions which likely to improve demand for metals added by soft dollar index and supply disturbance for many metals buyout metals complex for Dec. however, price seen cap at higher level on recession fear in coming months added by slow China growth projection for this year makes selling pressure at higher level. Benchmark Copper in domestic Future market up 3rd consecutive monthly gain by almost 5% followed by Lead rally 4th consecutive monthly rally to finished up 2% while Zinc & Aluminum down marginally 1% each, resulted in over 7% gain in overall Metal index for the month Dec.

For calendar year 2022, domestic Copper rally more than 17% while best performer Aluminum & Zinc gain by 24% & 28%. Against this, Copper on LME down 13% while Aluminum & Zinc down almost 15% each and Lead down less than 5%. Since hitting record highs in March on a rally fuelled by worries about disruptions to commodity supplies from Russia, copper has plummeted 22%, aluminium 41% and zinc 39%. Nickel and tin have slumped 50% and 70% respectively. Battery metal lead , sustained by tight supplies, low inventories and inclusion in a commodity index from January, has fared better, dropping only 15% since March. On yearly basis, Nickel, the outperformer in metals, seen 45% rise, its largest since 2010, partly because of a shortage of metal that can be delivered against the LME contract and partly because of volatility created by low volumes and liquidity after a trading fiasco in March.

Copper output in Chile, the world's largest producer of the metal, fell 5.5% year-on-year to 459,229 tonnes in November, the country's statistics agency INE said. The agency said the drop was partly due to lower ore grade and operational problems affecting major companies in the sector.

China will stop requiring inbound travellers to go into quarantine starting from Jan. 8, the National Health Commission said on Monday in a major step towards easing curbs on its borders, which have been largely shut since 2020. China's management of COVID-19 will also be downgraded to the less strict Category B from the current top-level Category A, the health authority said in a statement, as the disease has become less virulent and will gradually evolve into a common respiratory infection. Three years of zero-tolerance measures, from shuttered borders to frequent lockdowns, have battered China's economy, but China made an abrupt policy U-turn this month, dropping nearly all of its domestic COVID curbs.

China's U-turn on COVID policy and its pledge to increase support for the real estate sector helped to support ferrous and non-ferrous metals in last month of 2022. Still, optimism has been tempered by the country's surging COVID infections and risks of global recession in 2023 if central banks, as expected, keep hiking rates

On Data Side, China's factory activity shrank for the third straight month in December and at the sharpest pace in nearly three years as the official PMI fell to 47.0 from 48.0 in November, the National Bureau of Statistics (NBS) said and against economists in a Reuters poll had expected the PMI to come in at 48.0. The 50-point mark separates contraction from growth on a monthly basis. The official composite PMI, which combines manufacturing and services, declined to 42.6 from 47.1. London S&P Global's final manufacturing PMI bounced to 47.8 in December from November's 47.1, matching a preliminary reading but still below the 50 mark separating growth from contraction.

Going ahead, Spiralling inflation, COVID lockdowns in top consumer China and aggressive interest rate rises are behind economic weakness and dwindling demand growth for industrial metals such as copper, used in the power and construction industries.

Base Metals

TECHNICAL OUTLOOK:

COPPER:

MONTHLY BULLETIN (RESEARCH) Date 7th Jan 2023

Expected Support & Resistance level for the month

Copper	S1	S2	R1	R2
MCX	734	718	755	770

MCX trend seen Bullish as long hold S1, While Sustain above 755 seen Up rally towards 770-775.

LEAD:

Technical Outlook:

Expected support and Resistance level for the month

Lead	S1	S2	R1	R2
MCX	184	180	192	195

MCX trend seen Bullish as long hold S1 while Sustain Close above 192 seen 197-198 belt.

ZINC

TECHNICAL OUTLOOK:

Expected Support & Resistance level

Zinc	S1	S1	R1	R2
MCX	272	265	286	295

MCX trend seen Bullish as long hold S1, While Sharp Uprally expected only Sustain above 286 towards R2

NICKEL

TECHNICAL OUTLOOK:

No View due to Low Volumes

Expected Support & Resistance level

Nickel	S1	S1	R1	R2
MCX				

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BONANZA RESEARCH TEAM

Technical Research Analyst

Mahesh Prakot

Mahesh Prakot

Digitally signed by Mahesh Prakot
DN: cn=Mahesh Prakot c=IN o=Personal ou=Personal
Reason: I am the author of this document
Location:
Date: 2023-01-09 23:19+05:30

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DATE-Jan 7th, 2023

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