MONTHLY BULLETIN (RESEARCH) Date 10th January 2018

GOLD

CMP Rs. 29156 /10Gms MCX FEB 2017

Market Outlook and Fundamental Analysis:

Spot Gold emerge as one of the good asset class in 2017 as it ended with 3-month high on last day and gain of 13% in a year which is best yoy gain of last 7-years since 2010 thanks to weakness in Dollar, Geopolitical tension despite US Fed 3-Rate hike and rally in Equity market. Going back to the last Fed meeting with its slightly more dovish tone, commodities markets have gotten a bit of a green light, referring to indications this month that the U.S. central bank will keep its rate outlook unchanged in the coming year. Gold's gains coincide with the greenback, in which gold is priced, sliding toward its worst year since 2003, damaged by tensions over North Korea, the Russian scandal surrounding U.S. President Donald Trump's election campaign, and persistently low U.S. inflation. The dollar index touched 3-month lows on last trading day of 2017 and down almost 9% in a year. Among precious metals, palladium posted the strongest rise this year, climbing 57% as concerns grew over availability after years of deficit. About 80% of global palladium demand will come from autocatalysts for gasoline powered cars, which many now prefer over diesel fueled vehicles.

GFMS analysts said in a recent research note that next year is set to be the seventh successive year of large deficits in the palladium market. In 2017 silver gain 6% while platinum rose 3%.Earlier in the month, Gold prices retreated to a near five-month low as investors braced for a widely expected U.S. interest rate increase this week and looked for clues about further hikes from the Federal Reserve. Between mid-October and early-December, gold prices had stayed between $1,265 and $1,300 an ounce.

Gold also benefited from technically-driven momentum after closing above its 100-day moving average on last week, for the first time since late November. The 50- and 200-day moving averages for U.S. gold futures for February delivery crossed on last week, creating a bullish "golden cross" formation and fuel its prices at end of the month/year. Spot Gold prices have risen for nine straight sessions, not including the Christmas holiday. That is the longest string of daily gains since July 2011. At mid of the Dec, gold closed above its 200-day moving average, a key technical indicator. Earlier, gold Prices are on track to register their narrowest trading range in the last quarter of 2017 than any quarter in a decade.

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India's gold imports surged 67% in 2017 from the previous year to 855 tonnes as jeweller's replenished inventory amid a rebound in retail demand, provisional data from precious metals consultancy GFMS showed. The country's overseas gold purchases in December stood at 70 tonnes, up 40% from a year ago, GFMS data showed. Net gold imports to major consumer China via main conduit Hong Kong fell 23.6% in November from the previous month, data showed. At mid of the month, Holdings of the world's largest gold-backed exchange-traded fund, New York-based SPDR Gold Shares , fell 7.1 tonnes, their largest one-day outflow since late July, cutting its inflow for the year to 15 tonnes.

On demand side, Gold demand slid to its lowest in 8-years in the last quarter as jewellery buying fell and inflows into bullion-backed exchange traded funds dried up, as per latest data from the World Gold Council. Overall demand fell 9% to 915 tonnes, it's weakest since the third quarter of 2009, the WGC said. Gold and silver investment demand is expected to be virtually flat in 2018, as geopolitical and economic concerns continue to draw buying interest, New York-based CPM Group predicted. Gold investment demand will increase slightly, to 27.5 million ounces in 2018 from 27 million ounces this year.

On Data side, U.S. growth prospects dimmed on Friday as data showed spending outpaced income in November and the Federal Reserve's preferred inflation measure -- the personal consumption expenditures price index that excludes food and energy – rose by just 0.1 percent in November. U.S. retail sales increased more than expected in November as the holiday shopping season got off to a brisk start. The Fed's policy-setting committee said in a statement announcing the federal funds rate had been lifted to a target range of 1.25 percent to 1.50 percent. Having raised its benchmark overnight lending rate three times this year, the Fed projected three more hikes in each of 2018 and 2019 before a long-run level of 2.8 percent is reached.

Outgoing Chair Janet Yellen's successor, Fed Governor Jerome Powell, has hinted that he has a cautious approach to rate increases.

The World Bank said in October that it expects overall precious metal prices to fall 1% in 2018, but with some divergence. Upside risk to the forecast include widening geopolitical tension, delay in central bank rate increase, a weaker than expected dollar and a mine supply short-fall, the World Bank wrote in its 2018 commodity outlook.

Going ahead, Dollar movement, Geopolitical tension, FED move towards Interest rates and global equity market will play important role to decide gold price direction while at least for Q1-2018 seen bull run likely to be continue.

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<u>Technical Outlook</u>:

<u>On the Daily Chart:</u>

Gold has fallen risen strongly in Dec as it took support of 28000 & broke important resistance of 29000 giving advantage to bulls. Going ahead 28950 will act as an important support level & below it 28550 shall act as very strong support level. Looking at chart above it is evident that Gold has reversed from downtrend in the month of December & on dips it will be buying opportunity as indicators are supporting bulls in Gold. It is recommended to keep Stop loss for long trades below 28900 as Buying is recommended at 29100 - 28950. On the flip side it can fall till 28600 if it starts trading below 28900.

In COMEX GOLD is trading at $1310 immediate support at $1302 & immediate resistance at $1321.

Expected support and Resistance level for the month

Gold	S2	S1	R1	R2
COMEX/DG CX ($)	1228	1302	1321	1285
MCX (Rs.)	28600	28950	29375	29685

RECOMMENDATION:

MCX Gold Feb: Sell below 28900 Stop Loss 29100 Target 28600.
Buy around 29100-28950 Stop Loss 28900 Targets 29250 & 2450.

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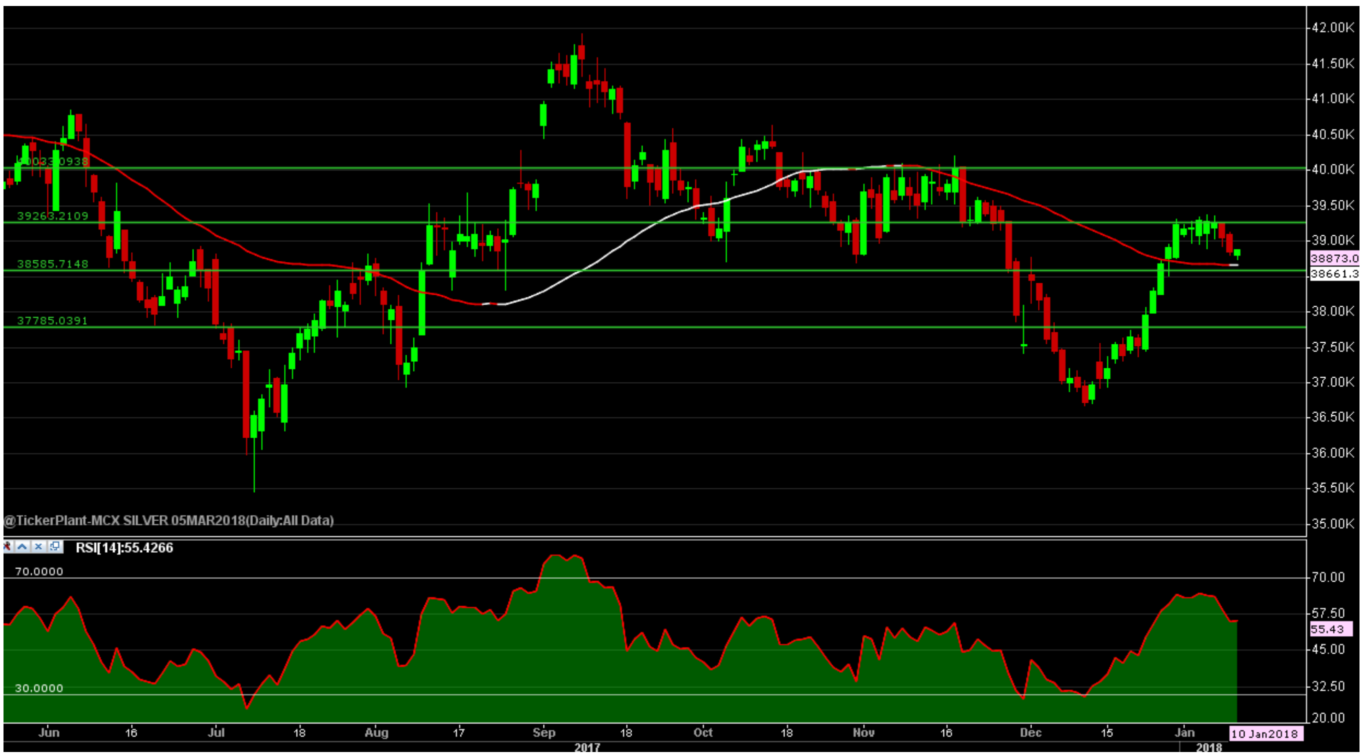
SILVER

Technical Outlook:



On the Daily Chart:
Silver is looking positive on daily charts. In the month of Dec movement was totally in control of bulls as prices recovered strongly after hitting low of 36700, it has started trading above 50DMA which shall act as support hence it recommended to buy on dips. A close above 40000 shall open gates till 42000 on upside.

Expected support and Resistance level for the month

Gold	S2	S1	R1	R2
COMEX/DG CX ($)	16.63	16.90	17.25	17.76
MCX (Rs.)	37850	38550	39275	40000

RECOMMENDATION:
MCX Silver Mar: Buy around 38850 – 38550 SL below 37400 Target 39300 & 39900.

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CRUDE OIL

Market Outlook and Fundamental Analysis

Crude oil continue its northward journey with gain of almost 12% WTI and 17% Brent in 2017 with price hit above 60 for the first time since mid-2015 due to strong demand and declining global inventory. The spread between the benchmarks widened throughout the year, as Brent responded to the drawdown in supply from major world producers while U.S. output continued to grow. Oil prices had been boosted by signs the global crude glut that has dogged the market since 2014 is shrinking, as a year of production cuts led by Middle East-dominated Organization of the Petroleum Exporting Countries (OPEC) and Russia helped tighten the market. OPEC cuts kicked off last January and are scheduled to continue throughout 2018. In 2017, U.S. crude futures have averaged about $51 a barrel, easily topping last year's $43.47 average.

During end of the month, WTI prices were further boosted by an EIA report of a 4.6 million barrel weekly drop in U.S. commercial crude storage levels. Inventories are down by almost 20% from historic highs last March, and well below this time last year or in 2015. Inventories have been steadily declining in the United States due to strong export demand and efforts by major oil producers to restrict supply.

Earlier this year, oil prices slumped on concerns that rising crude production from Nigeria, Libya and elsewhere would undermine output cuts led by the OPEC and Russia. But prices have rallied nearly 50% since the middle of the year on robust demand and strong compliance with the production limits.

The U.S. oil rig count rose by about 42% by end-2017 compared to the corresponding period last year, as energy companies boosted spending amid a recovery in crude prices. Drillers held the number of oil rigs steady for a second straight week at 747 in the week to Dec. 29. That was 222 more than the 525 rigs at the end of 2016, as per General Electric Co's Baker Hughes Inc energy services firm latest data. There were 929 oil and natural gas rigs active on Dec. 29, up 41 percent from the 658 at the end of 2016. The average number of rigs in service in 2017 was 876. That compares with 509 in 2016 and 978 in 2015. Most rigs produce both oil and gas.

U.S. crude oil production in October rose to the highest in more than 46 years, while natural gas production leaped to a new record, U.S. Energy Information Administration data showed on Friday. The production increases in October compared to a year ago come on the heels of higher energy prices, with U.S. crude futures recently touching $60 a barrel for the first time since mid 2015. total U.S. natural gas production rose to a new record in October, hitting 93.10 billion cubic feet per day (bcfd), up from 91.85 bcfd, according to the EIA, which tracks data back to 2006. While The Parisbased International Energy Agency (IEA) expects the oil market to have a surplus of 200,000 barrels per day (bpd) in the first half of next year before reverting to a deficit of about 200,000 bpd in the second half. That means 2018 overall should show "a closely balanced market".

The U.S. Energy Information Administration said that the 2018 average oil production rate will hit the highest level for any year on record in the United States. In its monthly short-term energy outlook, the agency forecast that U.S. crude oil output will rise by 780,000 barrels per day (bpd) to 10.02 million bpd in 2018. Last month, it expected a 720,000 bpd year-over-year increase to 9.95 million bpd. EIA data showed U.S. crude production hit a 46-year high in October, but the country's oil exports and demand also rose.

The Organization of the Petroleum Exporting Countries, plus Russia and other non-members, have been withholding some output since Jan. 1 to relieve a glut. The producers have extended the supply cut agreement to cover all of 2018.

Other side, in international markets, China has issued crude oil import quotas totalling 121.32 million tonnes for 44 companies in its first batch of allowances for 2018. China's imports at around 9 million bpd, already the world's biggest, are expected to hit another record in 2018 as new refining capacity is brought online and Beijing allows more independent refiners to import crude. China's crude inventories in November hit a seven-year low of 26.15 million tonnes, Xinhua data showed. China's crude oil imports rose to 9.01 million barrels per day (bpd), the second highest on record, data from the General Administration of Customs showed.

Going ahead, demand from emerging countries and supply from US will play important role for Q1-2018 while OPEC decision for production cut will play bigger role in later part of the next year.

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Technical Outlook:-

On the Daily Chart:

Crude has trended strongly up in the month of Dec and respected the Oct strong momentum. It was advantage bulls in Crude as every dips was over powered by buying pressure from bulls. Looking at the chart above it is trading above 50DMA level of 3735 in Daily Chart. It is recommended to be long on dips till the time 3730 is not broken on lower side (on closing basis). Buying on breakout above 4100 or even on dips at 3940 is recommended as Crude is strongly in up-trend till the time it is trading above 3725.

Expected Support and Resistance level for the month

Crude	S2	S1	R1	R2
NYMEX/DG CX ($)	55.60	56.60	58.05	59.15
MCX (Rs.)	3775	3950	4110	4400

RECOMMENDATION:

MCX Crude: Buy above 4110 Stop Loss below 3940 Target 4200 - 4350.
Buy around 3860-3810 Stop Loss below 3700 Target 3950 – 4100.

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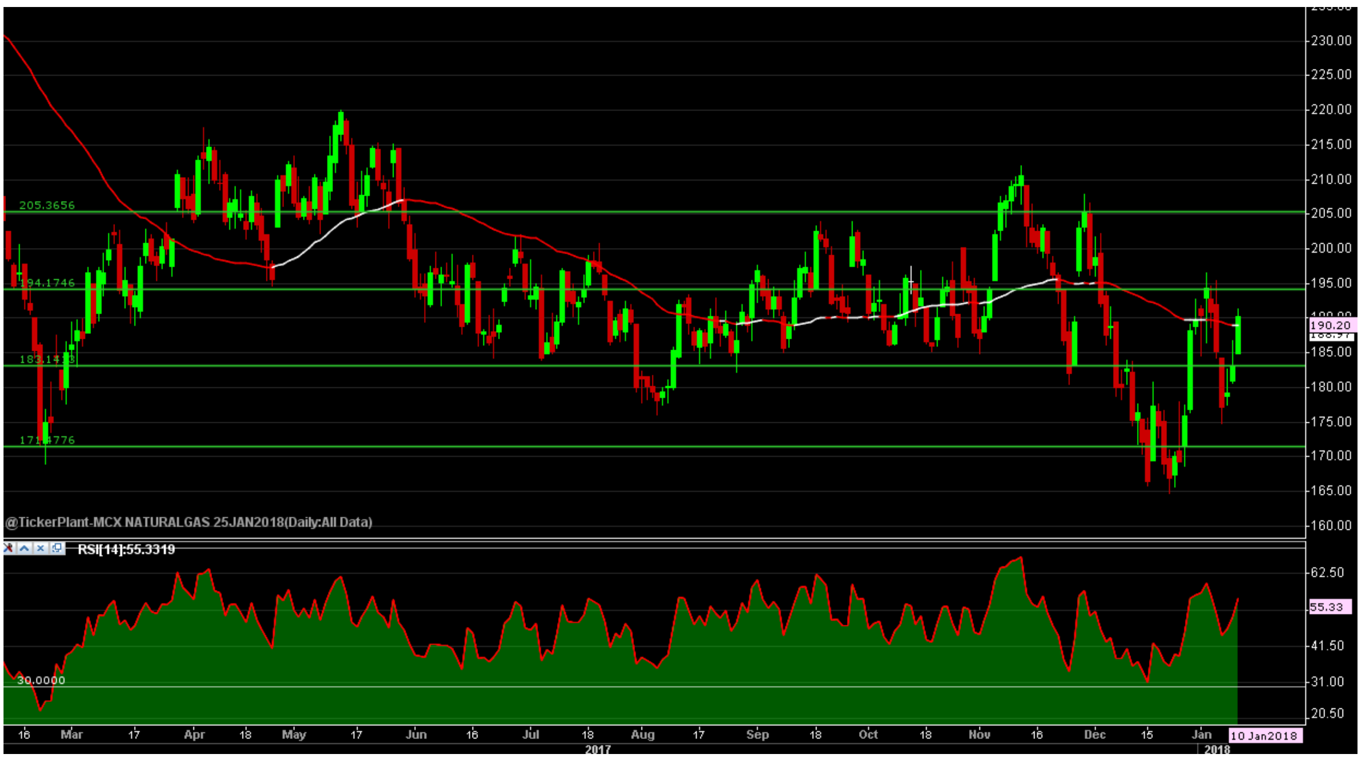
Natural Gas

Technical Outlook:



On the Daily Chart: Natural Gas for the month of Dec has traded both the ways. For NG 205 has been acting as strong resistance every time bulls try to take it through & 180 was the support in recent past. But in Dec 180 was broken and NG took support of 165 on downside. Although the trend has been recently negative as winter session hasn't affected but last week of Dec saw strong recovery in NG on back of very weak inventory figures. It is advisable to be on long side in NG from here on as winter session has started its effect on the inventory numbers. Technically it has started forming higher low with respect to recent recovery led from later half of December 2017. It is advisable to be long in NG for targets of 202 & 220 if it crosses & starts trading above 205.

RECOMMENDATION:

MCX NG : Buy at 189 - 185 Stop Loss of 182 for the Targets of 196 & 202.

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Base Metals

Market Outlook and Fundamental Analysis

COPPER:

Year 2017 seen historic as funds seen back to industrial commodities with most of the base metals hit multiyear to multi month high. Copper used in power and construction are up 31% this year and are holding near a 4-year peak, Aluminium used in transport and packaging touched near 5-year peaks is up 34% on the year. China's war on polluting industries, its supply reforms and robust demand growth have this year combined to create a bonanza for copper and aluminium which are heading for their biggest rises since 2009. Zinc has risen 29% this year after a 60% surge in 2016. Also helping base metals is the lower U.S. currency, down 10% since the start of this year against a basket of other major currencies, making dollar-priced commodities cheaper for holders of other currencies. earlier of the month, Copper had its biggest drop for two years with the price hitting its lowest level in two months as inventories rose and the dollar firmed on expectations of U.S tax reform.

China is the world's largest consumer of industrial metals, accounting for nearly half of global copper and aluminium demand estimated at around 23 million tonnes and 62 million tonnes respectively for next year while Lead is up 23% this year, its largest gain since 2009. Earlier, Lead hit 6-year highs of $2,620.50 in October due to seasonally strong demand from battery makers, tight supplies due to mine shutdowns and dwindling inventories. Nickel gain of 27% this year and Tin only metal down 5% from 2016.

China accounts for about half of global copper demand estimated at around 23.5 million tones, Its imports rose to 329,168 tonnes in November, up 19% from the same period a year ago. Over the first 11 months of 2017, however, copper imports of 2.915 million tonnes are down more than 10% from the same period in 2016. It is estimated that China's copper demand growth may be as high as 3% in 2018 from around 2% this year.

there are over 30 labour contracts, covering around five million tonnes of mine supply, due to expire next year, most of them in Chile and Peru this will keep momentum in base metals. The largest identifiable potential issue concerns the Escondida contract due June, 2018, given the 2-month strike earlier this year

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The global world refined copper market showed a 132,000 tonnes deficit in September, against a 94,000 tonne surplus in August, the International Copper Study Group (ICSG) said in its latest monthly bulletin.

On data side, U.S. consumer spending accelerated in November and shipments of key capital goods orders increased for the 10th straight month, the latest signs of strong momentum in the economy as the year winds down. China's industrial output, highly correlated with copper prices, rose 6.1 percent in November from the same period last year, surpassing analysts' estimates for a rise of 6.0 percent. Japanese manufacturing activity expanded at the fastest pace in almost four years in December. China Vehicle sales in November rose 0.7% from a year earlier to 2.96 million vehicles, marking a sixth consecutive month of gains, an industry association said. China's bank lending in the first 11 months of 2017 topped last year's record due to a stronger-than-expected jump in November credit. Household loans, mostly mortgages, also rose and accounted for 55% of total new loans. Property sales by floor area in China fell 6.0 percent in October from a year earlier, compared with a 1.5 percent decline in September. The decline was the biggest since the first two months of 2015. The Caixin/Markit services purchasing managers' index (PMI) rose to 51.9 in November, up from 51.2 in October and the highest reading since August.

In a surprise move following on from the Fed, China's central bank lifted money market rates overnight on Dec 14 in a bid to diffuse financial risks without damaging the economy, a balancing act it has managed successfully so far this year.

Going ahead, China will again next year play a critical part in what happens to industrial metals. Capacity cuts and solid demand next year will play crucial role to direct prices. There are labour negotiations and potential for strikes in Chile, overall more investors likely to come back into the commodity space in 2018. accelerating growth in major economies and increased infrastructure spending driving price rises for industrial commodities and energy sources beyond the multi-year highs they're now touching and will play crucial role in 2018 also.

NICKEL

Nickel get some pressure from rising ore exports from Indonesia, which is gradually lifting a ban on raw material shipments, imposed in early 2014. Latest data shows Indonesia's nickel ore exports at about 3.1 million tonnes in November.

Nickel is one of the materials expected to win from the coming electric vehicle (EV) revolution. Electric vehicles will be powered by lithium-ion batteries, which need cobalt and nickel. Indeed, as cobalt's potentially fragile supply chain comes under ever-increasing scrutiny, battery-makers are likely to try to use less of the stuff in favor of more nickel.

The global nickel market deficit widened to 9,700 tonnes in October from a revised 7,500 tonnes the month before, as per latest data from the International Nickel Study Group. For the first nine months of the year, the global deficit for refined nickel widened to 65,700 tonnes from 47,400 tonnes in the same period of 2016.

Latest Customs data showed that China's imports of refined nickel and nickel alloy surged 55.7 percent in November from the same month a year ago to 26,349 tonnes. China accounts for around half of global nickel demand estimated at 2 million tonnes this year. Stainless steel mills account for two-thirds of global demand.

Stocks of nickel in LME-approved warehouses at 373,314 tonnes are down from levels above 470,000 tonnes in June 2015, but double the levels seen in May 2013.

ZINC & LEAD

Zinc rose almost 29% in 2017 thanks to ongoing production cut and miner and trader Glencore held its output forecast steady for next year, disappointing investors who had largely bet it would restart more capacity. Glencore told an investors presentation it would restart its Lady Loretta mine in the first half of 2018, but added that it expects zinc output to fall slightly to about 1.09 million tonnes from 1.1 million tonnes this year. In 2019, Glencore sees its zinc output creeping up to 1.16 million tonnes.

China’s zinc production fell 1.1 percent year-on-year in November to 423,000 tonnes, Antaike said. The state-backed research firm expects 2017 production to drop by between 60,000 and 80,000 tonnes. Tight supplies has seen stocks of zinc in LME approved warehouses fall 70 percent since September 2015 to around 180,000 tonnes, a fraction of global demand estimated at 14 million tonnes.

The global zinc market deficit widened to 36,900 tonnes in October, while the lead deficit shrank to 10,000 tonnes, data showed.

Benchmark lead on the LME is up about 23% in 2017. Much of that gain came in the second half of this year as the prospect of a large deficit came into view. Seasonally strong demand from battery makers, tight supplies caused by mine shutdowns and dwindling inventories in LME warehouses support lead prices, which recently hit 6-year highs. Additionally china imports of lead concentrate from North Korea have tumbled due to new sanctions imposed on Pyongyang by the US as punishment for missile test in July. More than 80% of global lead consumprion – at around 11 mln tones this year – goes towards batteries mainly for autos, demand for which has risen sharply in countries such as china due to growing affluence. The biggest supply shortfall over coming months is seen in top consumer china due to an environmental crackdown on polluting industries.

The global lead market showed a deficit of 10,000 tonnes in October after a surplus of 41,300 tonnes in September, data from the Lisbon-based International Lead and Zinc Study Group (ILZSG) showed on 13-12. For January to October, the lead market had an output deficit of 173,000 tonnes compared with a surplus of 35,000 tonnes in the same period last year.

ALUMINIUM

Aluminum hit 5-year pick in Dec and up about 34% in 2017 thanks to lower output in China reinforced expectations of tighter supplies. Aluminium's story has mainly been about output cuts in top producer China, which clamped down on unauthorised aluminium capacity and older more polluting smelters. China's war on smog has also meant output cuts during the winter months, starting in November. But in recent weeks, concerns about aluminium demand and surpluses in China have been fuelled by rising inventories in warehouses monitored by the Shanghai Futures Exchange, at a record above 750,000 tonnes.

China's primary aluminium production fell for a fifth consecutive month in November, official data showed on 14-12, as the country's winter restrictions on smelters pushed output to its lowest since February 2015. The world's top aluminium producer churned out 2.35 million tonnes of the metal last month, down 7.8 percent from 2.55 million tonnes in October and down 16.8 percent from a year ago, according to the National Bureau of Statistics. China last year accounted for 55 percent of global output estimated at nearly 59 million tonnes against 11 percent of 25 million tonnes at the turn of the millennium. IAI data also shows China produced 16.7 million tonnes in the first half of 2017, a rise of 1 percent from the second half of last year. That compares with a rise of 10 percent in the second half of last year from the first half.

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Base Metals

TECHNICAL OUTLOOK:

COPPER:

On the Daily Chart: Copper has witnessed strongest of rally in Dec after sharp rise in Sep. Looking ahead Copper can rally and bounce up till 465 where it can face resistance again. Resistance is at 465 and it has fallen from the said level which shall again test this metal. Overall Copper is in bull run from the early month of July and same seems likely to continue as advantage bulls is going to continue in 2018 as well. 50DMA is also supporting the prices & RSI is still holding 50 levels which can keep bulls interested. Bears would try to firm their grip when prices reach 465 levels. It is advised to be on buying side on dips.

Expected Support & Resistance level for the month

Copper	S2	S1	R1	R2
MCX	439	451	465	475

RECOMMENDATION:

COPPER MCX:- Sell at 462 – 466 Stop Loss 468 Target 456 & 452.
Buy around 453 - 448 Stop loss below 437 Target 465 & 475.

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LEAD:

Technical Outlook:

On the Daily Chart: Lead has been trading sideways around 50DMA of 161. Bulls & Bears both have battled in the Dec & Nov month & oscillators are showing basing range bound trading. Sideways movement can be on cards hence selling on rises & buying on dips is recommended.

Expected support and Resistance level for the month

Lead	S2	S1	R1	R2
MCX	155	160	165	170

RECOMMENDATION:

LEAD MCX: - Buy at 160 - 157.50 Stop Loss below 155 Targets 162 & 166.
Sell at 165 – 167.50 Stop Loss above 171 Target 163 & 160.

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ZINC

TECHNICAL OUTLOOK:

On the Daily Chart:

Zinc has traded in a rising channel pattern with every dips used as buying opportunity in the month of Dec & early start in Jan. Oscillators are pointed strength so is the price action in the daily charts it is recommended to be on buying side in Zinc with every fall to be treated as buying opportunity. Zinc is trading above an important 50DMA which is 208.50. Hence 208 shall act as strong support.

Expected Support & Resistance level

Zinc	S2	S1	R1	R2
MCX	204.50	211	216.50	221

RECOMMENDATION:

ZINC MCX Dec 2017:- Buy on dips around 210 – 207 Stop Loss below 204 Target 213 & 217

Spread Recommendation: **Buy ZINC & Sell LEAD**
Current Spread 50 Stop Loss 45 Target 60.

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NICKEL

TECHNICAL OUTLOOK:

On the Daily Chart:

Nickel is trading strongly in uptrend from the month of June & recently in Dec it has risen strongly on the upsides with almost all the lost ground covered of the down trend in Nov. Going ahead Nickel looks strong on charts as any dips shall be used as buying level indicators are quite positive for this counter & momentum looks good for bulls to continue its strong upside rally. Positional Nickel looks like it can target 900 in next couple of months as indicators are pointing strong rally coming ahead.

Expected Support & Resistance level

Nickel	S2	S1	R1	R2
MCX	765	795	825	870

RECOMMENDATION:

ZINC MCX Dec 2017:- Buy at CMP Stop Loss below 765 Targets 870 & 900 make money. not mistakes.

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BONANZA RESEARCH TEAM

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BONANZA COMMODITY BROKERS PVT. LTD.

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