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MONTHLY BULLETIN (RESEARCH) Date 6th Mar 2018

GOLD

CMP Rs. 30400 /10Gms MCX April 2018

Market Outlook and Fundamental Analysis:

Gold one of the best asset class in 2017 and after 3 consecutive monthly gain, it fall by almost 2% in Feb mainly after recovery in dollar Index, higher treasury yield (which hit 4-year high during month) added by latest comments by the Federal Reserve's new chairman that fueled views the U.S. central bank would raise rates four times this year rather than three saying rate hikes should continue despite the added stimulus of tax cuts and government spending, resulted in sharp selloff in bullion at later days of Feb month. Higher US Interest rates and yields on bonds make gold a less attractive investment because it pays no interest. At mid of the month gold hit its highest since Jan. 25 and It had risen 1.6% on Feb 14, its biggest one-day gain since May 2017 and gained almost 4% since Feb 8 thanks to the U.S. dollar slid to its lowest in two weeks on concerns about the impact of high U.S debt levels and tax cuts. Silver close Feb to a 5.2% monthly decline. Palladium headed for a 2% monthly drop and Platinum declining 2% for the month.

However, Gold failed to capitalize from the biggest selloff in 6-years in global equities as U.S. Treasury yields have recently risen, but bullion, still driven largely by dollar movement, is not poised to unwind.

Latest Data showing net gold imports by top-consumer China, via main conduit Hong Kong surged 65.2% in January from the previous month. However data released last week showed imports by No. 2 consumer India fell 22% in January. Gold demand in India was likely to remain below its 10-year average for a third year in 2018 as higher taxes and new transparency rules on purchases were expected to cap last year’s rebound in buying, the World Gold Council (WGC) said this month. However, a late rally in physical gold buying failed to prevent a drop in full-year demand last year to its lowest since 2009, the World Gold Council said earlier, as weaker fund investment outstripped a bump in jewellery consumption. Global gold demand slid 7% in 2017 to 4,071.7 tonnes, an 8-year low, the WGC said in its latest quarterly demand trends report.

US FED, Powell noted in his speech that recent data had strengthened his confidence that inflation will rise. Inflation generally supports gold, which is considered a safe store of value when price pressures rise. But raising interest rates to fight inflation makes the non-yielding metal less attractive. According to the latest Federal Reserve minutes which showed U.S. central bank policy makers remained worried about inflation and committed to hiking interest rates. The general tone of the FOMC minutes was hawkish and convinced about the strength of the U.S. economy and that the inflation target will be reached, this was seen as a further sign that Fed is willing to increase interest rates further and more than expected.

The Dollar index which hit multi year low during Feb mainly due to, the possibility Washington might pursue a weak dollar strategy to the perceived erosion of its yield advantage as other countries end their easier monetary policy added by Concerns about the growing U.S. fiscal deficit have also weighed on the currency.

On Data side, Non-farm payrolls rose by 200,000 jobs in January, the U.S. Labor Department said, beating expectation of 180,000 and their largest annual gain in more than 8-1/2 years. Average hourly earnings rose and boosted the year-on-year increase to 2.9%, the largest rise since June 2009.

Going ahead, Elevated U.S. debt levels and volatility in stocks could boost gold prices higher in near term and could break above $1,400 an ounce for the first time since 2013 this year as an uncertain outlook for stocks, bonds and currencies tempts investors to use the precious metal as a safe haven. The recent stock market volatility, and U.S. President Donald Trump’s congressional tax deal and proposed budget that signal ballooning debt and higher spending, which in turn could make it hard to keep inflation in check. But rising US interest rates, bond yield and recovery in dollar keep check on prices at every Rally.

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Technical Outlook:

On the Daily Chart:

After early days Rally in Feb, Gold corrected a bit and tested month high again which shows its Trading in Range of 29800-30800 during the month. However it manage to break multi week Resistance level as shows in above chart and also get support at lower level. Price trading successfully above all 3 SMA shows strength is for medium term. So it is recommended to keep Stop loss for long trades below 30100 and enjoy the ride with any break out above 30850 for new Yprally.

In COMEX GOLD is trading at $1320 immediate support at $1300 which also 50% retracement of recent rally from 1238 to 1370 and immediate resistance at $1343.

Expected support and Resistance level for the month

Gold	S2	S1	R1	R2
COMEX/DG CX ($)	1255	1300	1343	1370
MCX (Rs.)	29800	30100	30850	31400

RECOMMENDATION:

MCX Gold Feb: Buy above 30700 & more above 30850 Stop Loss 30350 Targets 31200 & 31400.
Sell only below 29800 Stop Loss 30050 Target 29500-29100.

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SILVER

Technical Outlook:

On the Daily Chart:

Silver is looking strong if manage to Break and Sustain close above long term trading line as shown in above chart. It also going to break its lower top lower bottom formation which consider a bullish sign for medium term. During the month we had seen twice price get sharp bounce back from lower level with volume seen positive sign for coming weeks. It also traded above its 20-50-100 SMA which also support prices for medium term. So buy on dip advisable for coming weeks.

Expected support and Resistance level for the month

Gold	S2	S1	R1	R2
COMEX/DG CX ($)	15.55	16.10	16.95	17.65
MCX (Rs.)	37150	38050	39400	40700

RECOMMENDATION:

MCX Silver May: Buy above 39500 S/L below 38600 Target 40100 & 40650.

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CRUDE OIL

Market Outlook and Fundamental Analysis

After a straight 5-month Rally, crude end Feb with marginal lower 2% after test its highest level since Dec 2014 due to increasing US production and inventory added by late recovery in dollar index resulted in wipe out of all gains of the month. U.S. crude inventories have fallen more than 100 million barrels in 12 months to their lowest in three years. Since the stock market began falling sharply early this month, oil prices have wiped away the year’s gains amid a volatile stock market. Earlier of the month price Rally mainly by weakness in dollar which 3-year lows against a basket of other leading currencies, strong demand growth expected globally supported by OPEC compliance towards production cut. Soaring U.S. production, which has risen by a 5th since mid-2016, has kept a lid on oil prices this year, even as OPEC maintains its supply cuts. Some pressure seen in prices after three of the world’s top consumers of crude - China, India and Japan - reported a slowdown in monthly factory activity. Also, the U.S. dollar hit a 1-month high on last day of Feb Month, putting additional pressure on crude. A stronger dollar makes oil more expensive for holders of other currencies.

Oil prices slid sharply in 1st week of Feb as WTI fell below $60 a barrel for the first time since December on renewed concerns about rising crude supplies, pressured by stronger-than-expected supply figures and a surprising ramp-up of the North Sea Forties Pipeline, which shut earlier in the week. U.S. and Brent crude futures have slid more than 11% from this year’s peak in late January. Brent fell nearly 9% for the week while U.S. crude dropped 10%, the steepest weekly declines since January 2016. Turmoil on Wall Street also pressured crude. When, Wall Street stocks posting their largest one-day fall since late 2011 on Feb 5 and measures of volatility spiking to multi-year highs, reflecting heightened investor nervousness, oil has not suffered to the same extent. Financial markets sank after a sharp rise in U.S. bond yields raised concern over a possible increase in inflation and potentially higher interest rates.

The dollar rose after Federal Reserve Chairman Jerome Powell said the U.S. central bank would stick with gradual interest rate increases.

On demand side, China imported a record volume of crude oil in January, as independent refiners raced to shore up supplies after receiving higher quotas for 2018 and as a Russian pipeline expansion started up. Imports rose 20% year-on-year to a record 40.64 million tonnes, or 9.57 million barrels per day (bpd), according to data from the General Administration of Customs. India imported a record 4.93 million barrels of oil per day (bpd) in January to feed its expanded refining capacity and meet rising demand, ship tracking data obtained from sources and data compiled by Thomson Reuters Oil Research & Forecasts showed. The world's third-biggest oil importer shipped in 13.6 percent more oil in January than a year earlier and about 12.5% more than the previous month, the data showed. While Demand in Europe, a cold snap across the continent has encouraged some refiners to delay maintenance, which could support demand. China's imports of liquefied natural gas (LNG) also hit record levels in January, as the world's most populous nation rushed to shore up supplies ahead of another cold snap and this month's Lunar New Year celebrations, while fuel exports also jumped. LNG imports totaled 5.18 million tonnes, compared with the previous record of 5.03 million tonnes set in December and up 51.2 percent from January, 2017, according to data from China's General Administration of Customs.

OPEC oil output fell in February to a 10-month low as the United Arab Emirates joined other Gulf members in over-delivering on a supply reduction pact, a survey found, pushing compliance with the deal to its highest yet. The OPEC pumped 32.28 million barrels per day in February, the survey found, down 70,000 bpd from January. The February total is the lowest since April 2017, according to a survey.

In its latest monthly report, the U.S. EIA said crude production in the month of December dipped to 9.95 million barrels, a 108,000-barrel-per-day (bpd) drop from November and revised its November crude production figures upward to a record 10.057 million bpd. Other side, The Paris-based International Energy Agency said global oil supply would outstrip demand this year, prompting fears that efforts to reduce inventories would fall short of expectations. The IEA revised its global demand forecast upward by 7.7%. Still, rising production, particularly from the United States may outweigh demand gains. The United States overtook Saudi Arabia last week to become the second-largest global producer.

Separately, The United States will overtake Russia as the world’s biggest oil producer by 2019, International Energy Agency (IEA) Executive Director Fatih Birol said earlier. U.S. output was 10.27 million barrels per day (bpd), according to last week’s government figures, higher than the latest figures for the world’s largest exporter Saudi Arabia and just below Russia.

On last week, U.S. net crude imports fell 1.6 million barrels per day to just below 5 million bpd last week, the lowest level since the EIA started recording the data in 2001. Exports of U.S. crude jumped to just above 2 million bpd, close to a record 2.1 million hit in October. That helped push net imports to the lowest level on record. The U.S. oil rig count, an indicator of future production, rose by seven to 798, its highest since April 2015, according to a weekly report from General Electric’s Baker Hughes unit.

A little-noticed addition to the U.S. budget deal approved last week was also expected to further boost U.S. crude production by more than tripling a tax credit to producers for injecting carbon dioxide back into the earth to increase output.

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The Organization of the Petroleum Exporting Countries and other producers including Russia agreed to cut output by about 1.8 million bpd from January 2017, removing almost 2 percent of global supply from the market, to end a supply glut that had triggered an oil price collapse. OPEC's main objective for the cuts is to eliminate a global surplus in oil stocks and rebalance the market. OPEC wants to reduce inventories held by industrialised nations to their five-year average. However Rising U.S. production has hurt OPEC's efforts to drain supplies. Output rose to its highest since the 1970s in late 2017, and by the end of 2018 is expected to top 11 million bpd.

The supply cuts led by OPEC and Russia started a year ago and are set to last throughout 2018. They have been somewhat offset by growing output of U.S. shale oil, as higher prices have encouraged more investment in expanding supplies.

Eyes will be on OPEC officials will meet U.S. shale executives at a U.S. energy conference on 5th Mar, underlining the influence of American output on global prices.

In domestic front, ONGC is set to hire international oil service giants for the first time to boost output from domestic oil fields in response to a government push to increase local supplies and cut expensive imports. India's oil production has stalled below 1 million barrels per day (bpd) in recent years, even as oil demand has surged. That has resulted in its crude oil imports soaring, making it the world's third-biggest importer, behind China and the United States. In January, India's imports hit a record of almost 5 million bpd.

Going ahead, demand from emerging countries and production-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 year.

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Technical Outlook:-

On the Daily Chart:

Crude traded both side in the month of Feb and still trading between short term triangle which need to break successfully to get clear direction as shown in above chart. However it smarly manage to trade above its short and long term SMA which shows some strength in prices. RSI also neutral signal neither overbought not oversold. It is recommended to wait for clear direction & break triangle levels either side with support at 3930 and Resistance ard 4175-4240 belt.

Expected Support and Resistance level for the month

Crude	S2	S1	R1	R2
NYMEX/DG CX ($)	58	60	64.25	66.70
MCX (Rs.)	3825	3930	4175	4250

RECOMMENDATION:

MCX Crude: Buy above 4110 & more above 4175-4250 Stop Loss below 3930 Target 4350 - 4550.
sell only below 3930 Stop Loss above 4070 Target 3825 – 3750.

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Natural Gas

Technical Outlook:

On the Daily Chart: Natural Gas for the month of Feb traded both the ways and ended almost flat. However it has tested multi week support but fail to sustain below same and recover smartly at end of the month. RSI is nautral and price traded below both long term SMA suggest uncertainty for coming weeks. Recent low now act as strong support for medium to long term and as long it held above 162 and unless break above 185 and 192 (50 N 100 SMA level) price likely to be range bound

RECOMMENDATION:

MCX NG : Buy only above 185 Stop Loss below 178 for the Targets of 192-208.
Sell only below 167 and 162 S/L above 176 Target 150-145 Range

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Base Metals

Market Outlook and Fundamental Analysis

COPPER:

After a historic year seen 2017 and 1st month of 2018, month Feb seen mix for base metals as towards end of the month it fall from multi week to multiyear high hit during the month as Copper, Zinc, Aluminum and Lead ended almost flat in Feb, while Nickel gain barely 3% mainly due to the dollar advanced on prospects of higher interest rates and growth in China's manufacturing sector slowed in February. During the month Nickel traded near 3-year high while Zinc tested its highest since 2007 and Aluminum near 6-yeat high. The dollar rose to a 5-week high against a basket of currencies on last trading day after Fed Chairman Powell's upbeat views on the U.S. economy bolstered bets on further interest rate hikes this year, A stronger dollar makes metals more expensive for holders of other currencies, weighing on prices.

Growth in China's manufacturing sector in February slowed more than expected to the weakest in over 1-1/2 years as Lunar New Year holidays disrupted business activity and tougher pollution rules curtailed factory output. China is the world's top metals consumer and its manufacturing sector is often seen as the main bellwether for base metals demand.

Copper imports to China rose 13% from December to 314,525 tonnes in January, while refined nickel imports doubled to 26,691 tonnes and refined zinc imports surged by 287% to 67,111 tonnes. Chinese imports of scrap metal, meanwhile, fell to the lowest level in nearly two years in January after restrictions were introduced. Scrap copper imports were down 28 percent year on year.

Copper stockpiles in LME-registered warehouses have risen to almost 340,000 tonnes from 200,000 tonnes in early January, suggesting plentiful supply.

Other metals, Tin prices rose towards recent 1-year peaks on 2nd week of Feb, boosted by worries about tighter supplies after data showed falling exports from Indonesia and a weaker dollar. The top producer's refined tin exports were 4,507 tonnes in January, down 36% from the previous month and 35% lower than the same month a year earlier. The world's largest tin consumer is China, accounting for nearly half of global demand estimated at around 380,000 tonnes this year. Tin Nervousness about shortages has been fuelled by falling inventories in LME-approved warehouses, which at 1,935 tonnes have crashed 67% since February last year, and cancelled warrants -- metal already earmarked for delivery -- at nearly 35%.

Other news, Banks in China, the world's biggest consumer of metals, extended a record 2.9 trillion yuan ($458.3 billion) in new yuan loans in January, blowing past expectations as policymakers aim to sustain solid economic growth.

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China's property sector consumes more copper than the U.S. alone

On data side, U.S. payrolls on Friday showed wages growing at their fastest pace in more than eight years. Stock markets were routed around the globe while bond yields climbed as resurgent U.S. inflation raised the possibility central banks would tighten policy more aggressively than had been expected. Asia's factories got off to a strong start in 2018, with manufacturing activity in many countries hitting multi-year highs as global demand for hi-tech products remained strong.

Going ahead, China will again next year play a critical part in what happens to industrial metals. Capacity cuts and solid demand 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. there are over 30 labour contracts, covering around five million tonnes of mine supply, due to expire this 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.

NICKEL

Nickel gain almost 3% in Feb and hitting its highest in two and a half years as a weaker dollar made metals cheaper for holders of other currencies. Nickel last month broke free of a long-term downtrend since 2011 peaks. A combination of surging China imports, tighter supply and fund interest are expected to sustain prices of the stainless steel ingredient.

ZINC & LEAD

Zinc which hit highest since July 2007 at mid of the month due to depleting stocks, get some pressure from inventories on the Shanghai Futures Exchange jumped 12% last week to 114,887 tonnes, latest data showed.

Zinc stocks saw an outflow of 2,700 tonnes to 151,650 tonnes, bringing inventories to their lowest since 2008.

Month begin with sharp Rally in Lead prices hit 6-1/2 year highs on worries about shortages after key Chinese mines shut for the winter. Shortages of lead concentrate in China have become so severe that treatment charges -- the fees that smelters charge to turn ore into metal -- have skidded to zero or negative levels in some cases. Also, secondary supplies of lead in China are coming under scrutiny as a result of environmental measures

Stocks of lead on the LME have slumped by around 7 percent since early January to a three-year low below 135,000 tonnes. But inventories jumped 12% by 12,925 tonnes to 125,800 tonnes on last trading day of Feb after falling to their lowest since August 2009.

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ALUMINIUM

Aluminum traded mostly in Range of 137-144 in MCX for whole Feb month due to lower side support from China cut while higher price makes an attractive for physical buyers.

Global primary aluminium output rose to 5.557 million tonnes in January from a revised 5.398 million tonnes in December, data from the International Aluminium Institute showed on Thursday. There was also an increase in exports of semi-processed aluminium products from China, the world's largest producer. And in the United States a smelter was poised to restart idled production if Washington curbs imports. Global primary aluminium output excluding China dipped to 2.220 million tonnes in January from a revised 2.224 million tonnes in December, International Aluminium Institute (IAI) data showed.

On-warrant aluminium stocks, or those not earmarked for delivery, in LME warehouses fell by 23,425 tonnes to 1,085,175 tonnes, exchange data showed, pulling back from a recent 11-month high. Chinese aluminium inventory, including ShFE levels and off-exchange stocks, has climbed to 1.96 million tonnes, up from 1.82 million before the Chinese holidays, according to news website SMM.

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Base Metals

TECHNICAL OUTLOOK:

COPPER:

On the Daily Chart: Copper during the month trying to test its recent Dec high but fail to do so with seeling pressure at higher level while on down side it got protected from medium term uptrend support. For medium term still copper is bulish but for short time frame chart it seems range bound with Supply zone seen ard 465-472 belt and demand zone at 432-423 belt. It traded above all 3 SMA with neutral RSI suggest rally may soon begin with any break of Resistance 465-472.

Expected Support & Resistance level for the month

Copper	S2	S1	R1	R2
MCX	427	437	466	475

RECOMMENDATION:

COPPER MCX:- Sell below 448 Stop Loss above 457 Target 437-428.
Buy only above 470 & more above 475 Stop loss below 458 Target 487-510.

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LEAD:

Technical Outlook:

On the Daily Chart: Lead fall sharply from Double top pattern and also register lower top lower bottom in daily chart for short period. It also traded below all 3 SMA indicating more weakness in coming weeks. However it has strong support at 154 which is also Dec low and many hurdle upside at 100 – 50 SMA and trend line Resistance at 168-170-172.50. so it is advisable to sell on Rally for coming weeks.

Expected support and Resistance level for the month

Lead	S1	S2	R1	R2
MCX	154	150	164	170

RECOMMENDATION:

LEAD MCX: - Sell below 154 Stop Loss above 159 Target 147-144.

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ZINC

TECHNICAL OUTLOOK:

On the Daily Chart:

Zinc has traded in a rising channel pattern since Dec last year and this may seen till last week of Feb but party end with some trade war news and also after stocks seen increasing at warehouse. Price breaks its higher top higher bottom pattern first time since June 2017 and now traded below all 3 SMA (20-50-100) with RSI near 30 mark suggest weakness in counter for short term. So sell on Rally advisable for the month.

Expected Support & Resistance level

Zinc	S1	S1	R1	R2
MCX	214	211	227	232.50

RECOMMENDATION:

ZINC MCX Dec 2017:- Sell below 214 Stop Loss above 220 Target 208 & 202

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NICKEL

TECHNICAL OUTLOOK:

On the Daily Chart:

Nickel only base metals seen medium term bull Run as it consistence on higher top higher bottom patterm with price traded above all 3 SMA and neutral RSI suggest bull run likely to be continue with buy on dip strategy and it potential to test 4 figure mark in next couple of months.

Expected Support & Resistance level

Nickel	S1	S1	R1	R2
MCX	820	780	920	950

RECOMMENDATION:

ZINC MCX Dec 2017:- Buy above 910 and 920 Stop Loss below 870 Targets 960 & 1000.

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BONANZA RESEARCH TEAM

Fundamental Outlook by: **Mr.Vibhu Ratandhara**

Technical Outlook by: **Mr. Vibhu Ratandhara**

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DATE- Mar 6th, 2018