MOTILAL OSWAL
Financial Services

COMMODITY & CURRENCY CANVAS

Monthly Report

Feb, 2024 | Issue 93

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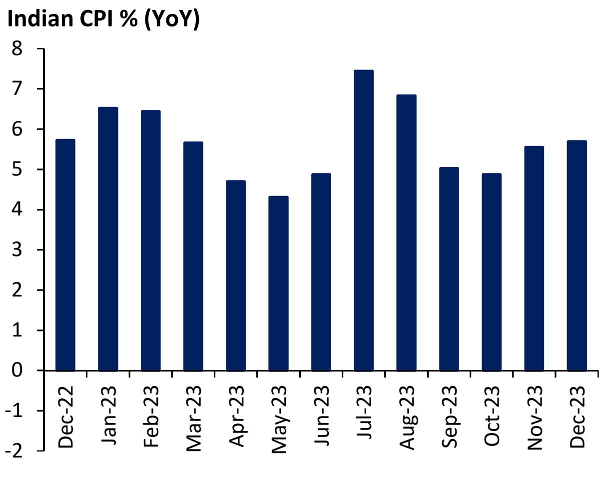
Currencies

Fundamental Outlook

Rupee continued to trade in a narrow range and volatility was confined to a range of 82.90 and 83.30 for the month despite broader strength on the dollar and as market participants remained cautious ahead of the interim Union Budget. Also, volatility was confined to a range ahead of the FOMC policy statement. On the domestic front, FIIs were net sellers in the equity segment and outflows for January was to the tune of $2.6 billion. On the other hand, RBI intervened and curtailed the overall volatility for the currency. Forex reserves for the week ended 26th Jan '24 stands at $ 616.7 billion. In the Union Budget, the Finance minister estimates the fiscal deficit for FY25 to narrow 5.1% and for FY24 revised the number to 5.8% from previous estimates of 5.9%. Capital expenditure will rise by 11.11% in FY25 to Rs. 11.11trillion, a big jump from FY24 wherein the rise was estimated to be 3%. Reaction on the rupee was positive but we expect that active intervention by the RBI is likely to keep the volatility in check.

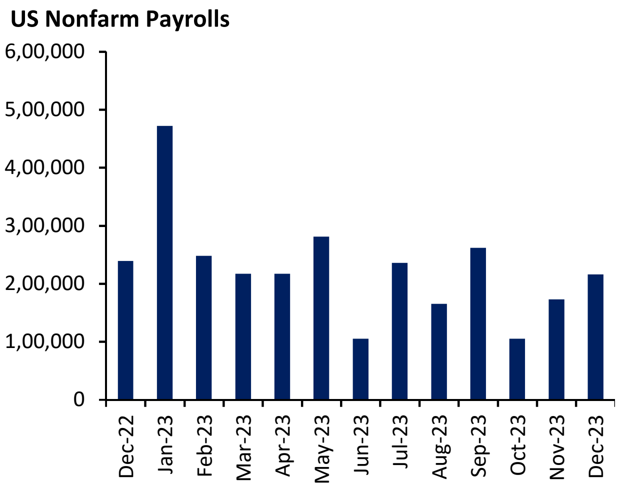


Source: Reuters

This month, on the domestic front, post the release of the interim Union Budget, market participants are likely to keep an eye on the RBI policy statement, wherein the central bank is expected to keep rates unchanged. Commentary from the governor on outlook of the India economy, rates trajectory for the upcoming financial year and any comments on the borrowing calendar is likely to trigger volatility for the currency. On the global front, after the FOMC policy statement, inflation numbers will be important to watch as the Fed governor mentioned to keep rates buoyant in the near future. This also could keep the dollar index supported at lower levels suggesting that US treasuries too could remain put. We expect the USDINR (Spot) to trade sideways and quote in the range of 82.80 and 83.50.

Global Currencies

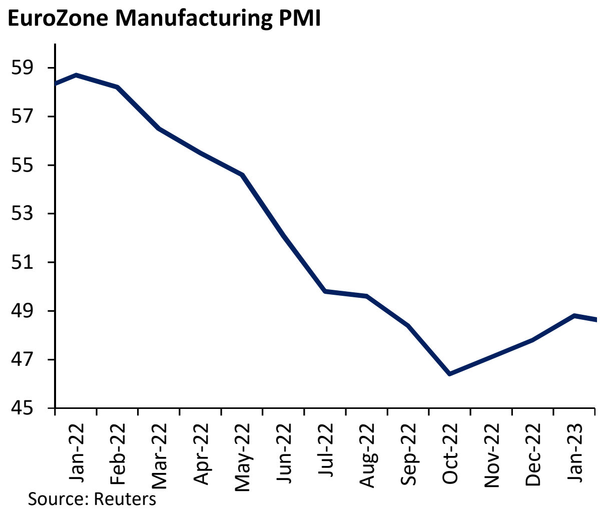
Dollar rose to the highest level in almost two-months following better-than-expected economic number and also as the Fed in its policy statement held rates unchanged. Non-farm payrolls number released for December showed the economy added 216,000 jobs in December as compared to 173,000 job addition in the previous month. The greenback extended gains after US CPI came in above estimates. Inflation rose to about 3.4% in December as compared to 3.2% in the previous month. In its policy statement, the Fed held rates unchanged for the fourth successive meeting and signalled that March rate cuts were off the table. The Fed governor mentioned that FOMC is unlikely to start cutting interest rates "until it has gained greater confidence that inflation is moving sustainably toward two percent." Fed maintains its pace of quantitative tightening, with a maximum of $60 billion of Treasuries and $35 billion of mortgage-backed securities rolling off the balance sheet each month. Dollar gained strength after data released from the US showed the economy added 353k jobs in January suggesting that the jobs market remains robust and thereby making it difficult for the Fed to reduce rates in the short term.



Source: Reuters

Unemployment rate too remained stable at 3.7% and average hourly earnings increased 0.6% (MoM) in December as compared to 0.4% growth in the previous month. At the same time, inflation will also be key to watch as it could guide the stance of the Fed outcome. Overall, we expect the dollar to trade with a positive bias against its major crosses.

Euro and pound were weighed down in January primarily as the dollar strengthened against its major crosses. Economic numbers that came in from both these economies have been more or less in-line with estimates. But concerns over the shipping disruption in the Red Sea have cost shipping prices to spike up thereby raising concern that inflation could start soaring. A lot of firms have already started to reroute their vessels but uncertainty still prevails. In the ECB policy meeting the central bank held rates unchanged and reaffirmed its commitment to fighting inflation even as the time to start easing borrowing costs approaches. On the other hand, the BoE too held rates on hold and the governor mentioned that inflation was moving in the right direction but borrowing cost will remain under review. This month, inflation and growth number from these economies will be important to watch, but escalation on the geopolitical front could keep market participants on the edge. We expect both the euro and pound to trade with a negative bias against the US dollar.



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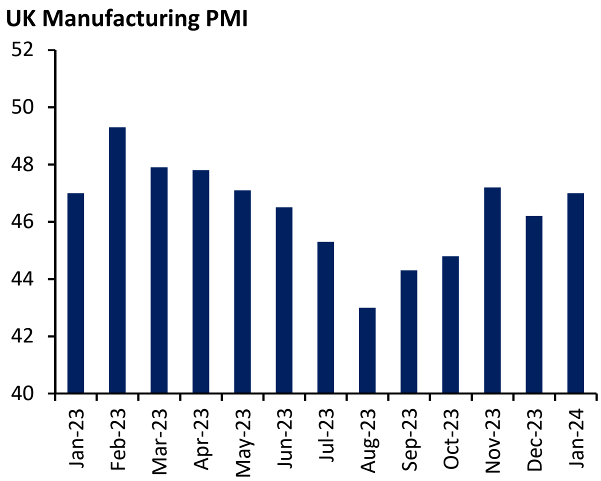


Source: Reuters

Japanese Yen weakened against the US dollar and the BoJ in its policy meeting and signalled its growing conviction that conditions for phasing out its huge stimulus were falling into place, suggesting that an end to negative interest rates was nearing. But the governor gave no clear hints on whether the bank would pull short-term interest rates out of negative territory at its upcoming meetings in March or April. This month, from Japan, focus will be on a couple of important economic numbers like the manufacturing PMI, GDP and retail sales number to gauge a view for the safe haven currency. We expect the USDJPY pair to trade sideways, but swings could be seen in the safe haven currency.

Technical Outlook

USDINR

USDINR traded in a relatively Lower but narrow band between 82.80-83.35 levels in January before closing the month around 83.05 mark – down by about 0.15% for the period. The pair had found support near 82.65 levels. Looking ahead, short-term consolidation between immediate support at 82.80 and key resistance near of 83.25-83.50 levels with a sideways bias. Trading on either side of this range i.e., buying near support or selling around resistance is thus advised as of now. Higher resistance is at 83.30-83.55 range while lower support is seen at 82.80-82.65 zone.

EURINR

EURINR expectedly traded in a relatively lower range last month. The pair consolidated between immediate support at 89.40 and stiff short-term resistance around 91.50 and formed bearish candlestick near the resistance before closing near the December month lows. On the weekly chart, technical indicator ichimoku cloud suggest bearish trend as the price are consistently trading below the conversion line. Furthermore, the 14-day Relative Strength Index (RSI) is positioned below the 52 level, supporting the bearish sentiment. More importantly gains were capped and any major pullback rallies higher were sold into indicating continued weakness in the trend. Looking ahead, selling on rise is thus advised from a short-term horizon. Stiff higher resistance is at 91.50-92.00 range while strong lower support is at 89.25 & 88.55 region.

GBPINR

GBPINR is traded choppiness throughout the month and after the continuous two-month bullish trend, GBPINR took a pause and formed Inside candle on the monthly chart. Technical indicator ichimoku cloud suggest that the price is trading below conversion line which indicates bearish trend. Looking ahead, short-term bias remains corrective below 104.50 and an extended fall towards lower supports at 103.50-102.80 levels looks possible. Selling on rise is thus advised. Meanwhile, higher resistances are seen at 106.70-107.50 levels.

JPYINR

JPYINR traded in a relatively lower range last month as it corrected from a previous month high region which is placed at 59.30 level and down by about 4.10% for the period. On the weekly chat, JPYINR has been following a clear channel pattern, respecting both the upper and lower trend lines consistently. The price has been forming lower highs and lower lows, indicating a downward trend. Furthermore, the 14-day Relative Strength Index (RSI) is positioned below the 50 level, supporting the bearish sentiment. Looking ahead, selling on rise is thus advised from a short-term horizon. Stiff higher resistance is at 57.80-58.40 range while strong lower support is at 55.20 & 54.60 mark.

EURUSD

EURUSD expectedly traded in a relatively lower range last month. The pair is trading in the range with a negative bias for the last month. Now, immediate support at 1.0750 and short -term resistance around 1.0950 and formed bearish candlestick near the resistance zone. On the weekly chart, technical indicator ichimoku cloud suggest bearish trend as the price is trading below the conversion line. Looking ahead, selling on rise is thus advised from a short-term horizon. Stiff higher resistance is at 1.1010 -1.1105 range while strong lower support is at 1.0700 & 1.0630 levels.

GBPUSD

GBPUSD traded in a relatively lower band last month as it consolidated in a broad range between immediate support at 1.2590 and resistance near 1.2780. Technical indicator ichimoku cloud suggest that the price is trading below the cloud which indicates bearish trend. Furthermore, the 14-day Relative Strength Index (RSI) is positioned below the 52 level, supporting the bearish sentiment. Looking ahead, short-term bias remains corrective below 1.2595 and an extended fall towards lower supports at 1.2510-1.2400 levels looks possible. Selling on rise is thus advised. Meanwhile, higher resistances are seen at 1.2800-1.2950 levels.

USDJPY

USDJPY traded in a higher range in January and closed near the previous month high level and up by about 4.20 % for the period. On the weekly chat, USD/JPY has been following a clear channel pattern, respecting both the upper and lower trendlines consistently. The price has been forming Higher highs and lower lows, indicating an uptrend. Looking ahead, short-term bias remains positive above support at 146.20 level and current rallies could extend higher towards 149.80 followed by 151.00 level. Buying on dips is advised. Strong lower supports are seen at 144.90-143.50 levels.

DOLLAR Index

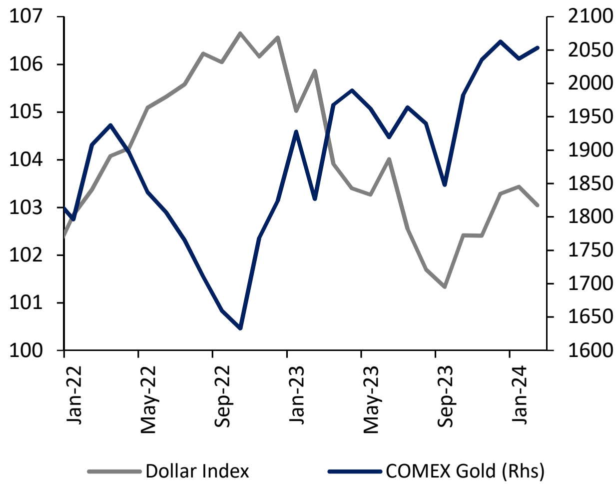
DXY traded in a higher range in January and closed near the previous month high levels and up by about 2% for the period. On the daily chart, Dollar Index has been forming higher highs and higher lows formation. Looking ahead, short-term bias remains positive above important support at 102.50-101.70 zone and current rally is likely to extend higher towards 104.55-105.10 range. Meanwhile, the medium-term bias would turn negative only on sustained break below 101.70 mark. Lower support is around 100.80-100.30 zone.

Precious Metals

Fundamental Outlook

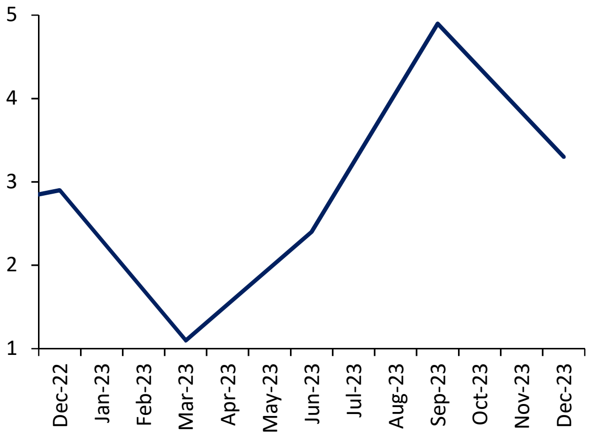
Gold, after a solid performance in the previous year, has started 2024 on a rather lower note, testing water around the Fed's interest rate decisions and the ongoing geo-political tensions. In just one month we have seen Fed's interest rate cut expectations changing thereby supporting an up-move in Dollar Index and US Yields. Dollar Index moved up by ~2% in the previous month and US 10Y Yields from the lows of ~3.8% to above 4% mark. First month of 2024 was also an interesting one with regards to the geo-political tensions as Houthi group in Yemen were active in the Red Sea attacking and blocking ships.

Dollar Index v/s Comex Gold



Source: Reuters

US GDP Q/Q (%)



Source: Reuters

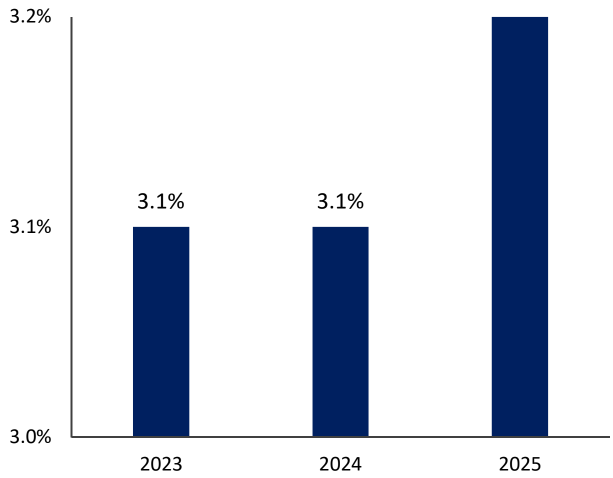
Economic numbers from the US also surprised the market as most of these numbers were reported better than expectations showing strength in the economy. Q4'24 US GDP numbers defied slowdown fears by posting growth of 3.3%. This numbers signals a remarkable resilience in the face of Fed's sustained effort to ease down inflation with higher interest rates. Similarly, US consumer prices also rose at annual rate of 1.7% in Q4 down from 2.6% three months earlier. On other hand, US Labour market data, consumer confidence, Retail Sales suggest that the economy is headed for a soft landing and Fed can delay interest rate cuts.

Since the Israel and Hamas war, some or the other uncertainty have kept market participants on the edge. Attack by Houthi group in Red sea or US and UK intervention in this Middle East war-fare has literally raised some alarms thereby attracting safe haven appeal for gold and silver. Along with US launching fresh strikes on Houthis in Red sea, they have also designated Iran-backed Houthi rebels as terror group making their intentions and stance clear in this war like situation. This year we also have elections in Russia and hence updates regard Russia-Ukraine war will also be important to watch.

There have been many fluctuations in interest rate probabilities since the month of Dec'23 amidst the factors mentioned above. Rate cut expectations surged quite sharply after dovish signals from Governor Powell in Dec'23 Fed meet, the rate cut probability for March'24 meeting rose to about 70%, however recent economic data and comments from Fed official turned the table around and probability for a rate cut dropped to around 40%, supporting Dollar Index and US Yields. At the January meeting Governor Powell delivered a slightly hawkish speech mentioning that any rate cuts will not come until the Fed is confident about inflation moving towards their target of 2%, the statements also showed confidence regarding the overall growth of economy. All fed officials agree for a rate cut in this year, but that could be seen in May than March.

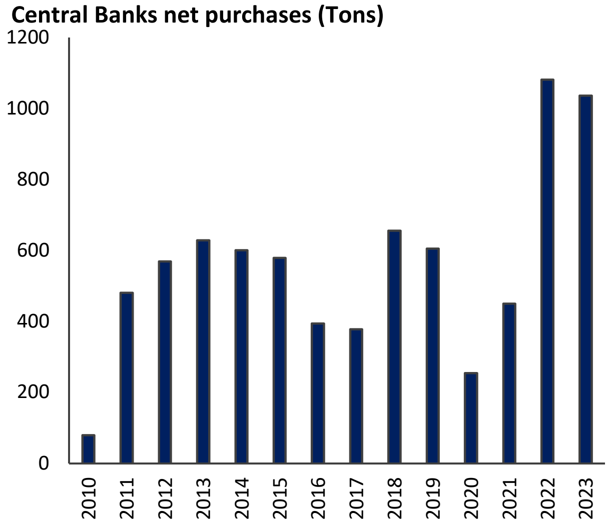
Silver prices did not witness much of a move in the previous month, as there was a tug of war continued between Industrial metals and precious metals. On one end, interest rate expectations and geo-political tensions were influencing the safe haven assets, while uncertainty around China's development gave a jerk in industrial meals. IMF sees relatively limited impact of continued attacks in Red sea on Global inflation or overall growth outlook. IMF has also raised its global growth forecast this year on better than expected expansion in US and Fiscal stimulus in China, while cautioning over the risks of wars and inflation, supporting metal price.

IMF Growth Projections (Jan'24)



Source: IMF

Central Banks net purchases (Tons)



Source: WGC

On monthly basis, Gold ETF saw an inflow in the previous month of ~ 5 tonnes bringing the total SPDR holding to ~856 tonnes. While on other hand, silver ishares reported an inflow of ~375 tonnes and holdings currently stand at ~13827 tonnes. Central bank demand, a key driver of gold in recent years, maintained its momentum in Q4 as a further 229t was added to global official gold reserves. This lifted annual (net) demand to 1,037t, just short of the record set in 2022 of 1,082t. Global official sector gold reserves are now estimated to total 36,700t, according to WGC. Two successive years of over 1,000t of buying is testament to the recent strength in central bank demand for gold. Central banks have been consistent net buyers on an annual basis since 2010, accumulating over 7,800t in that time.

Outlook:

February could bring in some surprises in the market as quite a few events and data points are scheduled during the month. Along with inflation and GDP, other economic data points could continue to influence the precious metals. After quite a few fluctuations in probability chart, signals for the March Fed meet could trigger volatility in safe haven assets. Fed official's comments will hold of great importance for the overall move ahead in metals. Geo-political tensions have built the risk premium in the market, if we do see any development on the same that could further add gains to both Gold and Silver. Fall in rate cut expectations have supported an up-move in US Yields and Dollar index, weighing on bullion. Keeping these factors in mind, we could witness a volatility in a broader range.

Technical Outlook

GOLD

In January 2024, the gold market experienced a period of consolidation, marked by a decrease of 450 rupees, representing a 0.74% decline. This decline halts the upward trend seen over the past three months. Despite this, the overall trend for gold remains bullish. After surpassing the key resistance level of Rs. 60200 in October 2023, gold prices have shown significant strength in the past three months and in the same period it gained around 10%, The bullish momentum is expected to persist, However for short term it might consolidate in a broader range of Rs. 60800 to 63000. Any two weekly candle closing in positive near the lower range level of Rs. 60800, it may signal a potential upward shift and could potentially test the higher range of Rs. 63000. On the other hand sustained break below Rs. 60800 might drag the price further lower towards 59500.

SILVER

In January 2024, silver experienced a significant decline of over 2400 rupees, reflecting a 2.90% decrease. This marks the second consecutive month of decline. Silver prices have been confined within a wide range of Rs. 67000 to 78000 for the past 10 months. The market is expected to continue trading within this range, presenting a strategic opportunity to buy at the lower end of the range following the recent correction. Once silver approaches the range of Rs. 69000 to 70000, investors may consider buying with a target price of Rs. 74000 to 76000. The key support level remains at Rs. 67000.

BULLDEX

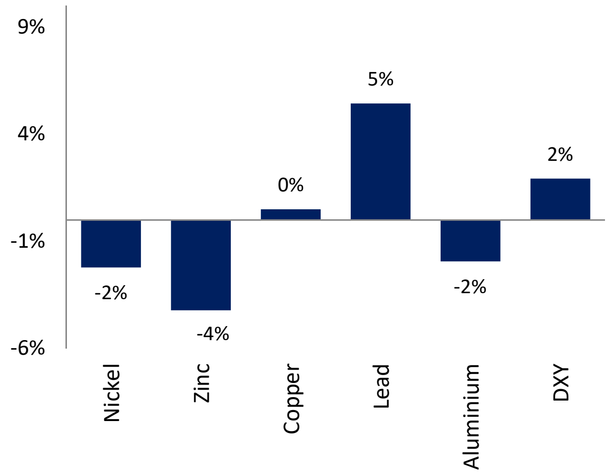
In October 2023, the 'Bulldex' Bullion Index experienced a notable downturn, witnessing a decrease of over 230 points, equivalent to a 1.44% decline. This downturn extends the trend of consecutive monthly declines. Forecasts indicate that prices are likely to undergo further minor corrections, with significant support now identified at 15800. Investors may view this as a favourable buying opportunity, targeting a price of 16500. The key support level currently stands at Rs. 15500.

Base Metals

Fundamental Outlook

After setting a positive tone for metals at the end of 2023, the start of the New Year witnessed some turbulence for the metals complex, followed by marginal stability before the close of the month. Copper prices gained 4% after hitting a six-week low on Jan. 18, with prices buoyed by mine disruptions and stimulus from China.

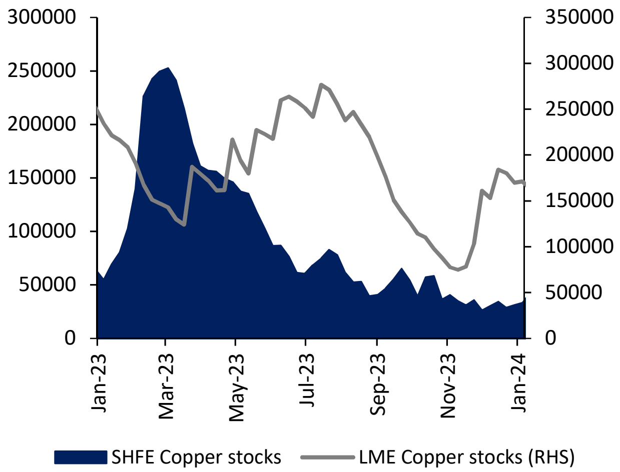
MTD change in LME metals



Source: Reuters

China recently announced a bold move by reducing the Reserve Requirement Ratio (RRR) by 50 basis points, effective from 5th February. This injection of approximately one trillion Yuan ($140.85 billion) into the banking system will significantly boost liquidity in the market. The move comes as part of broader efforts by China's central bank and cabinet to stabilize market confidence, pledging more effective measures, including increased medium and long-term fund injections in the capital market.

Copper LME and SHFE Stocks



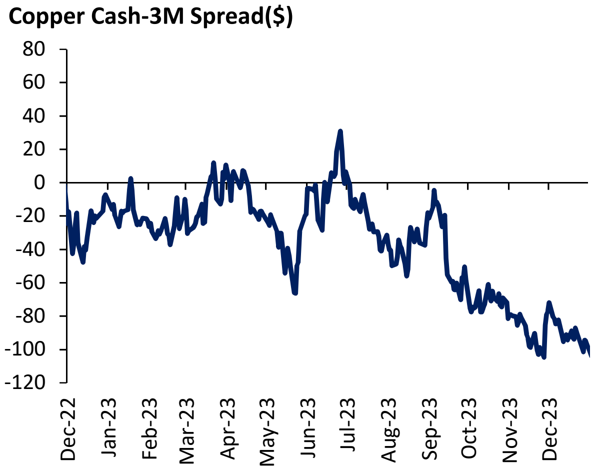
Source: Reuters

Simultaneously, the US has experienced an increase in liquidity due to the US Fed's accommodative stance, driven by favourable progress on inflation. The Fed's preferred inflation indicator – PCE, recently registered its lowest levels since March 2021. To top all these, Fed indicate that rate cuts in March is not on the table, but following meets could be complemented with rate cuts eventually. This macroeconomic backdrop bodes well for industrial metals, including copper. Despite stocks in LME-registered warehouses decreasing by 24% since October to 146,475 tons, the cash discount over 3M copper contracts suggests no immediate concerns about supply shortages in the LME market.

The closure of the Panama mine has led to a reduced production and delay in new projects due to tightening raw material supplies. China's refined copper output in 2023 reached a record high of 12.99 million metric tons, a 13.5% increase from 2022. However, facing challenges in copper concentrate supply post Panamas production cuts, although no specific plan has been agreed upon.

The recent liquidation order for debt-laden developer China Evergrande intensified concerns about the downturn in China's real estate sector, impacting investor confidence. Despite these challenges, copper prices found support from worries over supply disruptions in mines, prompting them to revise their forecasts from surpluses to deficits for the current year. The Yangshan premium, an indicator of Chinese demand for imported copper, has witnessed a 50% decline since early December, reflecting the weakening appetite for the metal in China.

The ongoing concerns over long-term supply failing to meet the demands of copper's crucial role in electrification further supported prices. ICSG reported a 119,000 metric tons deficit in the global refined



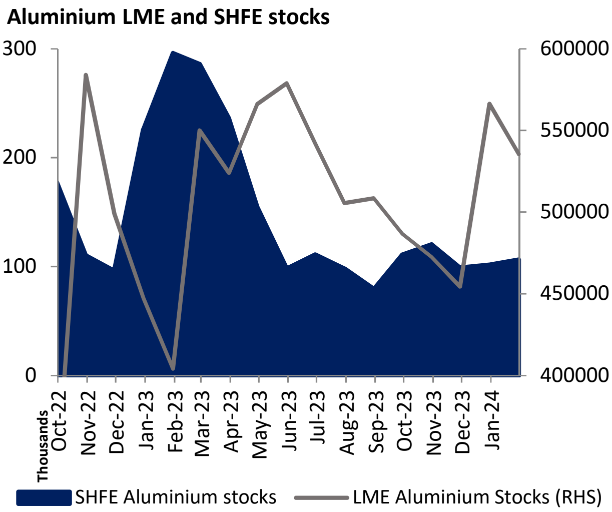
Source: Reuters

copper market for November, a significant increase from the 48,000 metric tons deficit in October. November's world refined copper output was 2.26 million metric tons, while consumption reached 2.38 million metric tons.

Copper inventories at the LME fell 18% to 156,750 tonnes since mid-October - provided some support to prices. In late 2023 there was bullish sentiment supported by Fed's rate cut expectations and the market priced that in. But at the start of this year there has been a setback, with inflation in the US and United Kingdom witnessing some uptick and Chinese data not helping.

Chinese Lunar New Year holidays are around the corner and trading activity generally hits a slow patch during these times. Metals across the complex await the introduction of new stimulus measures from mainland China and assess the extent to which global economic growth is subdued. There could be a close tug-of-war between fundamentals and sentiment driven by macro factors throughout the year.

Aluminium slipped to its lowest level since December'23 as LME aluminium stocks have jumped by 25% during the same period, indicating healthy supplies of the metal widely used in construction and transportation. China's unwrought aluminium imports more than doubled YoY in 2023, reaching the second-highest annual total since the start of the century. Primary metal imports surged to 1.54 million metric tons from 668,000 tons in 2022, just falling short of the record tally in 2021 at 1.58 million tons. Japan's imports of primary aluminium fell by 26% to 1.03 million metric tons in 2023 due to slow demand in construction and manufacturing industries, marking the lowest figure since at least 1986.



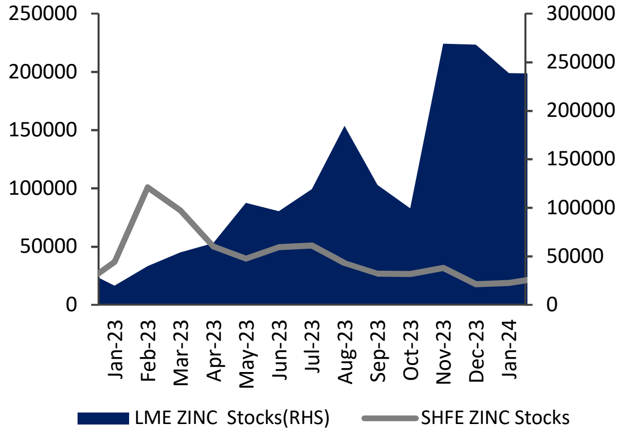
Source: Reuters

LME data shows inventories for Aluminium remains highly volatile just like the aluminium price. Net inventories outflows for the January month stood at 11,475 tonnes, compared to the net inflows of 89,675 tonnes seen in December last year.

The official NBS Manufacturing PMI in China slightly improved to 49.2 in January 2024, matching market estimates but marking the fourth consecutive month of contraction in factory activity. This contraction is attributed to a faltering recovery in the face of property weakness, deflationary risks, and mounting global headwinds. Meanwhile, the NBS Non-Manufacturing PMI in China edged up to 50.7 in January, the 13th straight month of expansion in services activity. The aluminium market will face growing oversupply this year as China raises production, but some of that is being absorbed domestically from buoyant solar and auto sectors. That said, the price upside will be limited by the ongoing weakness in construction and manufacturing sectors in the Western economies.

Zinc prices continue to see-saw for another month with a strong positive start to later giving up all gains. Production cuts has been of the driving themes, while poor demand has been adding a cap to gains. Recent reports suggest that Boliden plans to slash operations and reduce output at its Tara zinc mine in Australia when it restarts this year. Earlier in June, the mine was put on care and maintenance when the zinc prices touched 3 year lows. Boliden plans to resume the mine operations in the second quarter of this year, with new conditions which include a one-week closure for the mill every three weeks and a production target of 180kt of zinc concentrates a year. Tara is Europe’s largest zinc mine, with zinc concentrate output at more than 300ktpa when operating at its peak.

Zinc stocks in LME & SHFE



Source: Reuters

ILZSG reported an expanded global zinc market deficit, growing to 71,600 metric tons in November 2023 from the October deficit of 62,500 tons. However, the data also revealed a surplus of 211,000 tons for the first 11 months of 2023, compared to a deficit of 86,000 tons in the same period of 2022. In terms of China's zinc production, December 2023 saw refined zinc output of 590,900 metric tons, a 2.05% MoM increase and a robust YoY growth of 12.38%. The cumulative refined zinc output for the entire year reached 6.622 million metric tons, marking a substantial YoY increase of 10.77%.

Overall most metals have taken a beating over the last few weeks and are around critical support junctures, with some exciting possibilities of a bounce back. Trading activity will get slower approaching the lunar New Year, but it will be interesting to see how the demand revives once we come out the holiday phase.

Technical Outlook

COPPER

In January, copper gave a flat closing by 0.30%. Copper price is gradually rising from last 3 months, copper attempted to build momentum on the higher side at second half of the month where prices managed to record the high of Rs. 737.40 level but didn't managed to trade above the previous month high. The 14-period RSI on weekly chart has fallen near 50 mark which signals that counter has lost momentum on the higher side and likely to consolidate on the lower side. Trading on either side of this range i.e., buying near support or selling around resistance is thus advised as of now. Higher resistance is at 735-740 range while lower support is seen at 710-705.00 zone.

ZINC

In January, zinc prices decrease, gave a negative closing by around 3.50 %. zinc Prices fall in February but in the middle of the we saw sharp recovery from the lower levels. The technical indicator ichimoku cloud suggest a bearish trend as prices has been trading below the conversion and base line. Trading on either side of this range i.e., buying near support or selling around resistance is thus advised as of now. Higher resistance is at 226-230 range while lower support is seen at 215-211.00 zone.

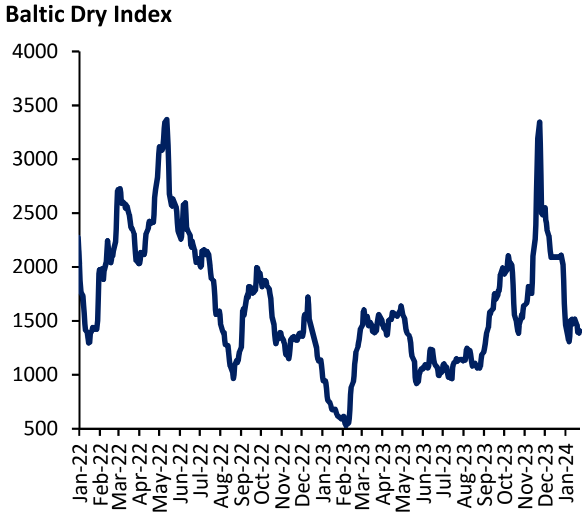
ALUMINIUM

In January, aluminium prices decrease and gave a negative closing by around 3.30% and recording the low of Rs. 195.70 level. The prices started the month on a negative note but in the last week of the month we saw sharp bounce back from the lower levels. On the monthly chart, aluminium prices has formed doji candle and at the same time, the prices reversed from the previous month high which is placed at Rs. 213.45 levels which will act as a resistance for the counter in near term. So, sideways consolidation within Rs.193 – 214 is likely to continue in the near-term and price break on either side will confirm trend direction.

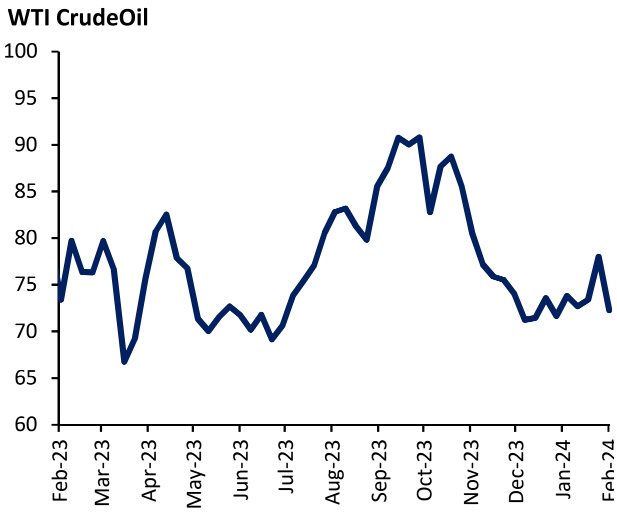
Energy

Fundamental Outlook

Crude Oil prices started the month lower after Saudi Arabia slashed prices of its Asian crude exports to over two-year lows although escalation of the Israel-Hamas conflict continued to keep prices buoyed. Libya's 300k bpd Sharara oil field is one of the largest and a frequent target for local and broader political protests was closed down. Prices accelerated after Houthi militants attacked Israel ships which were headed to Israel in the Red Sea. Some vessels began opting to avoid the Bab el-Mandeb chokepoint—a narrow strait that borders the Yemeni coast and is the southern entrance to the Red Sea. Instead, they're choosing to take longer, costlier routes around the tip of Africa. Longer routes put upward pressure on freight rates because of fuel scosts and fewer available ships.



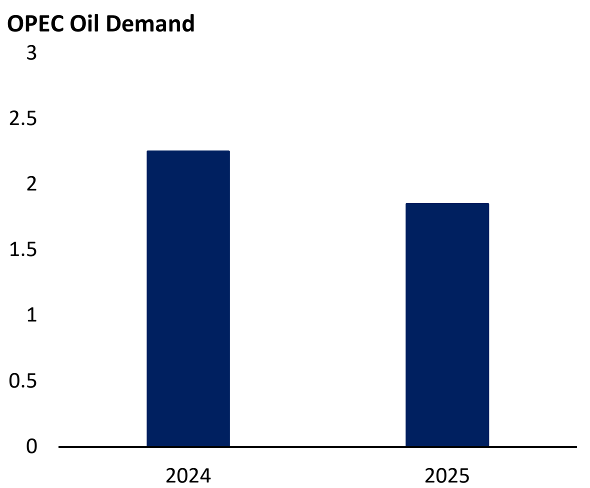
Source: Reuters



Source: Reuters

Prices added gains and ended the month 5% higher, with support coming from reports that showed three US Army soldiers were killed and more than 30 service members were injured in a drone attack overnight on a small US outpost in Jordan. The drone was fired by Iran-backed militants and appeared to come from Syria, although Iran denied these allegations. Geopolitics were in prime focus, after comments from as U.S. President post the attacks, notching up tension for the ongoing situation. Yemen's Houthi group said it would keep up attacks on U.S. and British warships in the Red Sea in what it called acts of self-defence, stoking fears of long-term disruption to global trade.

The OPEC released its monthly report little earlier than usual due to rising market uncertainties stating global economic growth is expected at 2.8% in 2025, up from the 2.6% growth predicted for 2024 and higher global economic growth and solid activity in China will see robust world oil demand growth of 1.8 million barrels per day (bpd) in 2025. Oil demand growth next year will be driven by nearly 1.7 million bpd growth in non-OECD countries, mostly in China, the Middle East, and India. OPEC left its 2024 demand growth forecast unchanged from the previous month's projection, at 2.2 million bpd. The IEA report showed oil demand growth forecast for 2024 to be raised by 180k bpd. In its online meeting of the OPEC+, JMMC reviewed the crude oil production data for the months of November and December 2023.



Source: Reuters

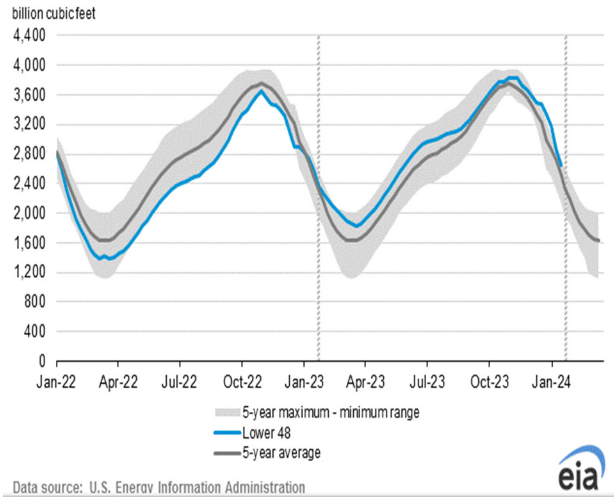
Committee will continue to monitor the conformity of the production adjustments decided upon at the 35th ONOMM held on 4 June 2023, and the additional voluntary production adjustments announced by some participating OPEC and participating non-OPEC countries in April 2023, and the subsequent adjustments in November 2023. No changes were made to its oil output forecast made earlier. The next meeting of the JMMC is scheduled for 03 April 2024.

Natural Gas prices languished almost 17% as it traded amongst strong demand-supply imbalance scenario along with warmer than usual weather forecasts. However, One of the biggest outages due to the cold snap amidst the arctic vortex was in North Dakota, the state's natural gas output was estimated to drop by almost half, from 3.44 Bcf/d to 1.8 Bcf/d because of the weather. Although it was not enough to push natural gas prices higher as it was not cold enough to shutter power plants or residential gas utility deliveries and create demand destruction.

Working gas in storage was 2,659 Bcf as of Friday, January 26, 2024, according to EIA estimates. This represents a net decrease of 197 Bcf from the previous week. Stocks were 54 Bcf higher than last year at this time and 130 Bcf above the five-year average of 2,529 Bcf. At 2,659 Bcf, total working gas is within the five-year historical range.

Freeport LNG, a US liquefied natural gas (LNG) operator, announced that one of its three liquefaction units at its Texas plant will be out of operation for nearly a month due to a technical fault during last week's Arctic freeze. This shutdown was the latest in a string of mishaps at the plant since it returned from an eight-month outage from June 2022 to February 2023 due to a fire and explosion. Prices continued their downtrend through the end of the month on warmer weather forecasts.

Working gas in underground storage compared with the 5-year maximum and minimum



Outlook:

This month, for crude we expect that volatility within the range could remain elevated as geopolitical uncertainty could keep the prices supported at lower levels, but at the same time slower demand recovery from China is keeping gains capped. Break on either side of the range could trigger further move in the commodity.

Technical Outlook

CRUDEOIL

In January, crude oil prices surged, gaining over 300 rupees and generating a gain of 5.00%. Despite this uptrend, the crude oil market has been range-bound over the past couple of months. The upper range, or resistance levels, are identified at 6650-6700, while the lower range, or support levels, are established at 5600-5500. Presently, the 14-period RSI indicator is trading at the midpoint, suggesting a neutral sentiment. Given the expectation of continued range-bound trading, a strategy of buying near the support zone or selling near the resistance zone could be effective until a breakout in either direction occurs.

NATURALGAS

January 2024 saw significant volatility in natural gas prices, fluctuating from around 210 to a high of 280, then dropping back below 200. This roller-coaster kind of movement led to a negative close, with a negative closing by 34 rupees, equivalent to around 16%. The current trend for natural gas appears bearish, suggesting a strategy to sell on rise near Rs. 185 to 190, with a target price range of Rs. 160 to 145. A key resistance level is now identified at Rs. 215, which can serve as a stop-loss point to manage risk.

Monthly Monetary Policy Update

Monetary Policy Update

Central Bank	RBI	FED	BOJ	BOE	ECB
Date of Policy	8th December, 2023	14th December, 2023	23rd January, 2024	14th December, 2023	14th December, 2023
Next Policy meet	6th-8th February, 2024	1st February, 2024	19th March, 2024	1st February, 2024	25th January, 2024
Total rate hike announced (bps)	250	525	-	515	450
Current Interest rate (%)	6.50%	5.25%- 5.5%	-0.10%	5.25%	4.50%
Stance	Cautiously Hawkish	Dovish	Cautiously Hawkish	Hawkish Pause	Hawkish Pause
Key highlights of the meeting	• RBI's MPC kept repo rate unchanged at 6.50% •The MPC will maintain withdrawal of accommodation stance to ensure that inflation remains within the target going forward, while supporting growth • The current reduction in overall liquidity has resulted in no requirement to carry out open market sales of government bonds	• The Fed decided to leave interest rates unchanged • Fed acknowledged inflation to have eased but remains elevated while economic growth has slowed from Q3 pace • The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the bank's goals	• BOJ kept the policy rate and 10 year yield tagrte unchanged •The BoJ shifted their tone to a more positive note on the wage and inflation outlook, along with an upgrade to the FY2024 inflation outlook which lays the groundwork for policy normalisation. •Japan's economy is likely to continue recovering moderately	• The BoE maintained its bank rate at 5.25% • Since the MPC's previous decision, CPI inflation has fallen back broadly as expected however, key indicators of UK inflation persistence remain elevated •The monetary policy will need to be "sufficiently restrictive for sufficiently long" to return inflation to the 2% target sustainably	• ECB held its interest rates for second meetng in a row •Growth forecasts were lowered and the ECB also announced plans to shrink its balance sheet • Rates will be set at sufficiently restrictive levels for as long as needed
Forecasts	• FY '24 GDP forecast riased to 7% from 6.5% earlier • Economic growth was revised higher to 7% from 6.8% • CPI Inflation FY24 forecast retained at 5.4%	• FY '24 GDP forecast seen at 6.5% • Core PCE forecast for FY23 was lowered to 3.7% from 3.9% earlier • Unemployment forecast unchanged for 2024 at 4.1%	• Core CPI estimate for fiscal 2025 raised to 1.8% from 1.7% earlier • Core CPI for fiscal 2024 lowered to 2.4% from the previous 2.8% • Real GDP foreacst for fiscal 2024 raised to 1.2% from the previous 1%	• GDP is expected to grow 0.5% in '24 • CPI-Q4 '23- 5.9% • Unemployement rate Q4 '23 4.7%	• Headline Inflation forecast for 2024 decreased to 2.7% from 3.2% earlier •Average Real GDP for 2024 estmated to expand by 0.8% from 1% previously
Currency Impacted	USDINR(₹)	Dollar Index($)	USDJPY(¥)	GBPUSD(£)	EURUSD(€)
Impact on Currency	Positive	Negative	Positive	Neutral	Positive
Impact on Gold	Neutral	Positive	Neutral	Neutral	Neutral

Events Calendar –February 2024

Monday	Tuesday	Wednesday	Thursday	Friday
5 Caixin Services PMI CNY Final Services PMI EU Final Services PMI UK ISM Services PMI US	6 Construction PMI UK Retail Sales EU	7 Halifax HPI m/m UK Trade balance US Crude Oil inventories US	8 CPI y/y CNY Unemployment Claims US Natural Gas Storage US	9 -
12 -	13 Claimant Count Change UK Average Earnings Index 3m/y UK Unemployment Rate UK Core CPI m/m US CPI m/m US CPI y/y US	14 CPI y/y UK Flash GDP q/q EU Crude Oil Inventories US	15 GDP m/m US Core Retail Sales m/m US Empire State Manufacturing Index US Retail Sales m/m US Unemployment Claims US Philly Fed Manufacturing Index US Industrial Production m/m US Natural Gas Storage US	16 Retail Sales m/m UK Core PPI m/m US PPI m/m US Building Permits US Housing Starts US Prelim UoM Consumer Sentiment US
19 US Bank Holiday	20 ZEW Economic Sentiment EU Trade Balance JPY	21 -	22 FOMC Meeting Minutes US French Flash Manufacturing PMI EU French Flash Services PMI EU German Flash Manufacturing PMI EU German Flash Services PMI EU Flash Manufacturing PMI EU Flash Services PMI EU Flash Manufacturing PMI UK Flash Services PMI UK Final CPI y/y EU Unemployment Claims US Flash Manufacturing PMI US Flash Services PMI US Existing Home Sales US Natural Gas Storage US Crude Oil Inventories US	23 GfK Consumer Confidence UK German Final GDP q/q EU
26 New Home Sales US	27 National Core CPI y/y JPY BOJ Core CPI y/y JPY Core Durable Goods Orders m/m US Durable Goods Orders m/m US CB Consumer Confidence US	28 Prelim GDP q/q US Goods Trade Balance US Prelim Wholesale US Inventories m/m US Crude Oil Inventories US	29 Manufacturing PMI Non-Manufacturing PMI German Prelim CPI m/m Core PCE Price Index m/m Unemployment Claims Chicago PMI Pending Home Sales m/m Natural Gas Storage	

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