COMMODITY & CURRENCY

CANVAS

Monthly Report

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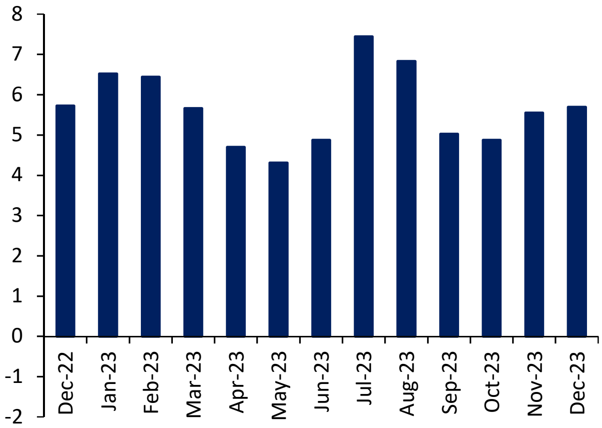
Contents

Currencies

Fundamental Outlook

Rupee in the first half of the month weakened, but rose in the latter half of the month following broad strength in the dollar against its major crosses and also as most market participants remained cautious ahead of the RBI policy statement that was scheduled in the first week of the month. Investors were also cautious following the release of FOMC policy statement, wherein the central bank held rates unchanged. On the domestic front, the RBI too held rates unchanged and maintained its withdrawal of accommodative stance. The RBI governor added that monetary policy must continue to be actively disinflationary. In terms of the projection of inflation and growth; inflation is projected to be 4.5% for the upcoming fiscal year 2024-25, with Q1 at 5%, Q2 at 4%, Q3 at 4.6%, and Q4 at 4.7%.

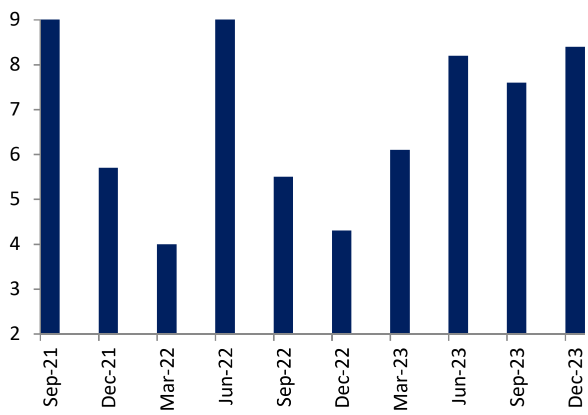
Indian CPI % (YoY)



Source: Reuters

On the other hand, GDP forecasts for Q1FY25 has been raised to 7.2% from 6.7%, Q2FY25 raised to 6.8% from 6.5%; Q3FY25 GDP growth forecast raised to 7.0% from 6.4%, while Q4FY25 GDP growth forecast has been pegged at 6.9%. On the other hand, India's inflation touched a three-month low of 5.10% in January as prices of some food items rose more slowly, although the central bank is expected to wait before cutting rates as inflation remains above its target rate. At the end of the month, India GDP grew 8.4% YoY for the third quarter of 2023 showing robust economic growth. China released its inflation number and data showed CPI fell in January at the fastest pace since the global financial crisis as economy struggles to shake off persistent deflation pressures. The property crisis remains the biggest drag on the economy.

India GDP(Q/Q)



Source: Reuters

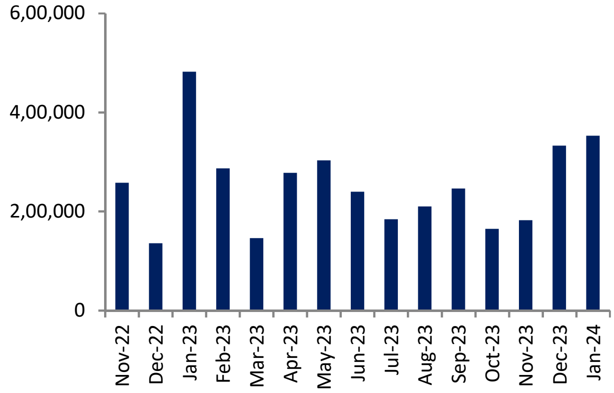
This month, on the domestic front focus will be on the CPI and industrial production number to gauge a view for the dollar as market participants are pricing in one rate cut announcement by the RBI this year. On the domestic front, fund flows in the debt segment has been quite strong and that has been to the tune of over $2billion. At the same time, FIIs pulled out funds from the equity segment. From the US, inflation number will be a key data to watch for as that will determine the Fed's stance on its rates outlook. For the month, we expect that continued active RBI intervention is likely to keep the volatility in check for the rupee and the USDINR (Spot) could trade in the range of 82.50 and 83.50.

Global Currencies

Dollar rose to the highest level in 11-weeks against its major currencies following a promising labour market report that further fuelled bets of no rate cuts by the Fed at the March meeting. Powell also commented that the bank will monitor incoming data to set the timing of the easing cycle. Non-farm payrolls data showed the US economy added 353K additional jobs in January as against expectation of 180K, indicating robust job market growth.

Also, average Hourly Earnings for January were up by 0.6% and unemployment rate was steady at 3.7%. Continued improvement in US labour market is reducing expectations for early rate cuts by the US Fed, thereby boosting the greenback widely. Further supporting the dollar was January's ISM Services PMI recorded 53.4, beating the consensus figure of 52 and last month's 50.5. This month, from the US, focus will be on the FOMC policy statement and expectation is that the central bank could keep rates unchanged but it will be the inflation, core PCE index and employment numbers that will influence the probabilities of rate cut possibilities in the US. Broadly, we expect the momentum for dollar to remain stronger and it could continue to witness buying interest at lower levels.

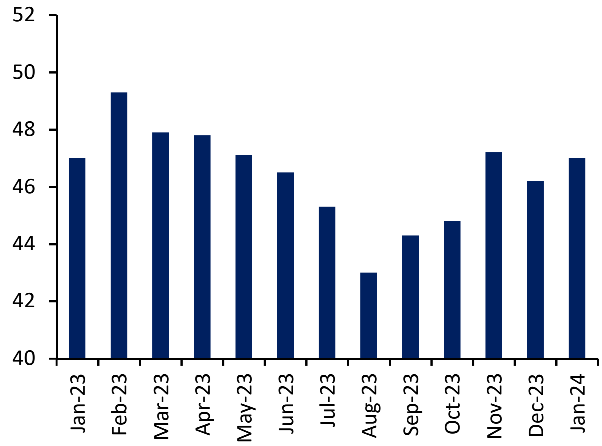
US Jobs Market



Source: Reuters

Euro and pound both closed with marginal gains following weakness in the dollar in the latter half of the month. Economic number released from the EZ and the UK have been more or less in line with estimates. Pound gained traction, bolstered by rising house prices in the UK fuelling bets that the BoE was not likely to cut interest rates any time soon. During the month the BoE governor in his comments mentioned that the central bank must be vigilant and not rush the rate-cutting process. Data showed inflation in the UK rose by 4% YoY in January, lesser than the market expectation of 4.2%. On the other hand, GDP in the UK shrank 0.3% in Q4 as compared to a contraction of 0.1% in the previous quarter. This month, from the EZ, focus will be on the ECB policy statement and inflation number will be keenly eyed and from the UK, Bank of England policy statement will also be important to watch.

UK Manufacturing PMI



Source: Reuters

Technical Outlook

USDINR

USDINR traded within a relatively narrow range in February, with support around 82.70 levels and resistance around 83.25-83.40 levels. The month closed with the pair around the 82.90 mark, down by approximately 0.50%. The pair had found support near 82.70 levels. Looking ahead, the short-term outlook suggests a consolidation phase with a sideways bias, with immediate support at 82.80 and key resistance around 83.25-83.40 levels. Traders are advised to consider buying near support levels or selling around resistance levels within this range. Higher resistance is at 83.35-83.50 range while lower support is seen at 82.70-82.55 zone.

EURINR

EURINR traded within a relatively tight range last month, forming a doji candle on the monthly chart, indicating indecision between buyers and sellers. Additionally, on the weekly chart, the Ichimoku cloud indicator suggests a bearish trend, with prices consistently trading below the conversion line. The 14-day Relative Strength Index (RSI) positioned below the 50 level further supports the bearish sentiment. Moreover, any significant pullback rallies higher were met with selling pressure, indicating continued weakness in the trend. Looking ahead, selling on the rise is thus advised from a short-term horizon. Stiff higher resistance is at the 90.80-91.50 range while lower support is at 89.10 & 88.50 regions.

GBPINR

GBPINR exhibited choppy trading throughout the month, forming consecutive doji candles on the monthly chart, indicating indecision and a lack of clear trend. Additionally, the technical indicator Ichimoku Cloud suggests a bearish trend, with prices trading below the conversion line. Looking ahead, short-term bias remains corrective below 104.50 and an extended fall towards lower supports at 103.50-102.80 levels. Selling on the rise is thus advised. Meanwhile, higher resistances are seen at 106.50-107.60 levels.

JPYINR

JPYINR traded in a relatively lower range last month, experiencing a negative trend with a decline of about 2.40% for the period. On the weekly chart, JPYINR has been following a clear channel pattern, respecting both the upper and lower trendlines consistently. The price action has been forming lower highs and lower lows, indicating a downward trend. Additionally, the 14-day Relative Strength Index (RSI) is below the 50 level supports the bearish sentiment. Looking ahead, selling on the rise is thus advised from a short-term horizon. The stiff higher resistance is at the 56.10-57.20 range while strong lower support is at 54.50 & 53.80 marks.

EURUSD

EURUSD traded within a consolidation phase last month, forming a doji candle on the monthly chart, indicating indecision. The pair moved in both directions during this period, with immediate support observed at 1.0810 and short-term resistance around 1.1040, where a bearish candlestick formed near the resistance zone. On the weekly chart, the technical indicator Ichimoku cloud suggests a bearish trend as the price is trading below the conversion line. Looking ahead, selling on the rise is thus advised from a short-term horizon. Stiff higher resistance is at the 1.0950 -1.1060 range while strong lower support is at 1.0760 & 1.0650 levels.

GBPUSD

GBP/USD traded within a relatively lower band last month, consolidating in a broad range between immediate support at 1.2520 and resistance near 1.2770. The technical indicator Ichimoku Cloud suggests a bearish trend, as the price is trading below the conversion line. Additionally, the 14-day Relative Strength Index (RSI) positioned below the 52 level supports the bearish sentiment. Looking ahead, short-term bias remains corrective below 1.2520 and an extended fall towards lower supports at 1.2400-1.2320 levels. Selling on the rise is thus advised. Meanwhile, higher resistances are seen at 1.2800-1.2910 levels.

USDJPY

USDJPY traded in a higher range in February, hovering near the previous high level and experiencing an increase of about 2% for the period. On the weekly chart, USDJPY has been following a clear channel pattern, respecting both the upper and lower trend lines consistently. The price action has been forming higher highs and lower lows, indicating an uptrend. Looking ahead, short-term bias remains positive above support at the 148.70 level and current rallies could extend higher towards 150.90 followed by the 152.20 level. Buying on dips is advised. Strong lower supports are seen at 147.50-146.00 levels.

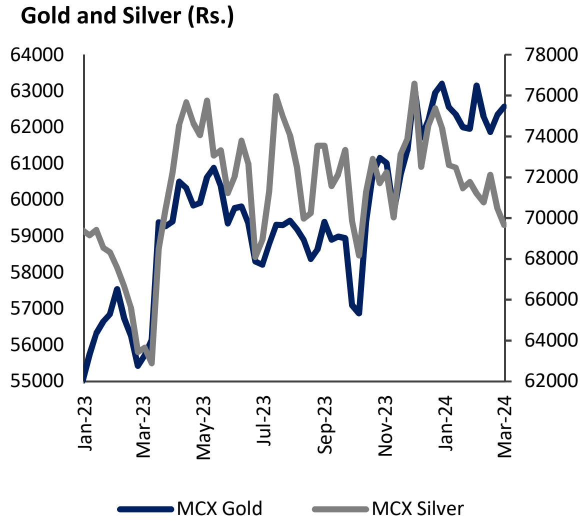
DOLLAR Index

US Dollar Index, traded in a higher range in February and experienced choppiness throughout the month, resulting in an increase of about 0.60% for the period. On the daily chart, the Dollar Index has been forming higher highs and higher lows, indicating an upward trend. Looking ahead, short-term bias remains positive above important support at the 102.80-101.70 zone and the current rally is likely to extend higher towards the 105.10-106.20 range. Meanwhile, the medium-term bias would turn negative only on a sustained break below the 102.00 mark.

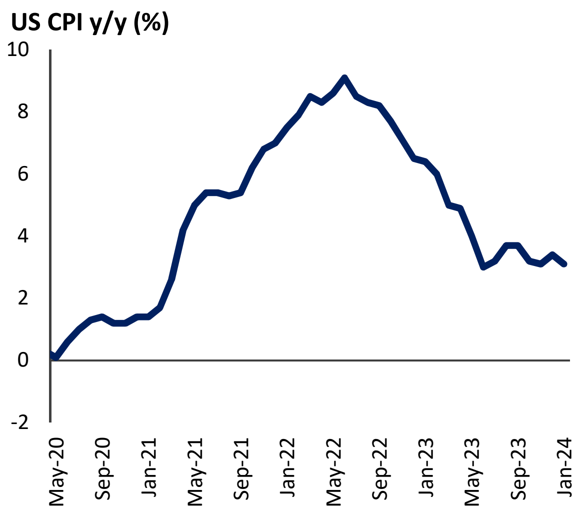
Precious Metals

Fundamental Outlook

Gold prices consolidated in a broad range for the second month of 2024, however silver prices took a lot of heat falling by almost 3.5% on domestic front. In just first two months of this year lot of sentiments, data points and expectations have changed triggering volatility in bullion prices.



Tussle between market sentiments and expectations set by fed officials regarding US central bank's interest rate have kept the market participants on the edge. Fed officials since the start of this year have been preparing the market regarding delay in interest rates, various policymakers actively mentioned that the inflation target is still far and there are no cracks in the labor market to call for an early rate cut. Fed Governor Powell mentioned last month that the FOMC expected to cut interest rates three times this year, but he signalled it was unlikely to begin doing so until more progress had been made towards the central banks 2% inflation target. Fed vice chair for supervision Michael Barr in his comments mentioned that the path to 2% maybe a bumpy one. Earlier, the Fed had projected three rate cuts in 2024, however, they are now seeing only two, with market participants expecting the first rate cut in June.



Source: Reuters

According to data released last month, the US CPI data came out to be higher than expected and at the same time US retail sales fell more than estimates. Q4 US GDP was reported slightly lower but the composition in it were quite strong, like, consumer spending which accounts for more than two-thirds of US economic activity, increased at 3%. Recent US Core PCE price index was reported lower, raising some hopes for an early rate cut; however, labor market continues to hold strong building Fed's confidence for their 'higher-for-longer 'stance. Hawkish comments from Fed officials and mixed economic data points from the US have supported an up-move in Dollar Index and US Yields, marking a high of ~105 and ~4.35%, a dominant factor leading to a fall in safe haven assets.

Target Rate probabilities for Fed Meetings			
Meeting Date	475-500	500-525	525-550
20-03-2024	-	5%	95%
01-05-2024	1%	27%	71%
12-06-2024	16%	53%	31%

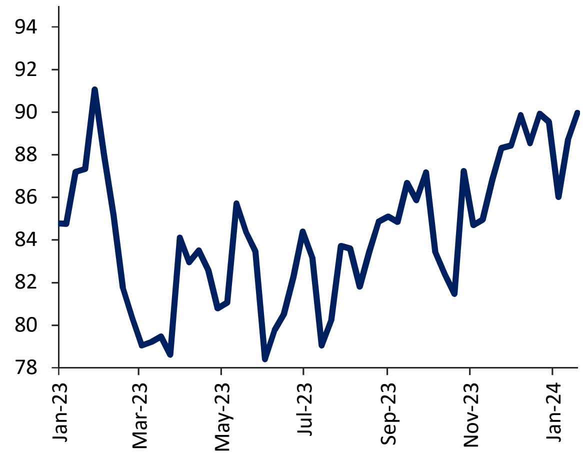
Source: CME Fed Watchtool

Changes in these economic data points led to the some fluctuations in the probability chart as well, at the start of this year market participants were discounting a rate cut in March, however after positive Jobs and CPI data these expectations started to slip and shift from March to May and now to June significantly weighing on safe haven prices. CME Fed watch tool suggest that, bets for a 25bps rate cut in June Fed meeting are at 50% while for a pause is at 33% supporting. One positive factor amidst these changes has been the fall in US 10Y real rates, which ideally is supportive for gold prices. If we go by textbook, Gold and real rates have an inverse correlation, since sometime this has gone out of sync, but it still holds its importance, US 10 Year Real Interest rate fell from their recent peak of 2.09% it marked in Nov'23 to ~1.68%.

Tracking China's economic activity has also become very important; just before the Lunar New Year gold trading at a steep premium in China, but still consumers were finding lots of reasons to buy the precious metal. While the holiday season usually drives increased spending on items like jewelry, reports of robust demand this year are remarkable because the shopping season happens to coincide with a dips in Chinese stock markets. Increased trouble with the property sector and loss of confidence in the economy has weighed on consumer spending but has supported gold's buying as it is seen as a store of value in times of trouble. Apart from retail buying, the PBoC has also been building gold reserve non-stop since November 2022, and during this 15-month period, the PBoC's reported gold purchases piled up to 297t.

On one end gold's sentiment is uplifted amidst Chinese demand, but poor economic data points, property sector distress is affecting the industrial metal including silver. Gold has been trading in a narrow range, but the industrial metals were quite volatile influencing silver's move in the month February. Silver's also gave direction to Gold/Silver ratio, which was quite active last month it moved from ~86 to ~92.

Gold/Silver ratio



Source: WGC

February saw outflow of ~10 tonnes, bringing the total SPDR holdings to ~828 tonnes. Similarly, silver ishares reported an outflow of ~200 tonnes and holdings currently stand at ~13330 tonnes. According to the latest CFTC speculative positioning data, Gold managed net positions fell by 11% to 64348 contracts, while silver witnessed slight upside of 6% to 5363 contracts.

Outlook:

Focus will continue to be on data from the US to gauge health of the economy and the inflation trajectory, which will help the market participants dictate the Fed's future monetary policy path. Fed officials 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 see any development in the same that could further add gains for both Gold and Silver. Delay in rate cut expectations have supported an up-move in US Yields and Dollar index, weighing on bullion. Keeping the above factors in mind, we could witness a higher volatility in gold and silver; however, any dip could be used as a buying opportunity for medium to long term investors.

Technical Outlook

GOLD

In Feb 2024, the gold market experienced a period of high volatility but closed on a sideways note, marked by a decrease of 168 rupees, representing a 0.27% decline. Prices decline in the first two weeks and made a low of Rs. 61190. However, the next two weeks saw a sharp rebound and closed on a sideways note. Prices are as of now trading in a falling channel. The upper bound of the channel is placed at Rs. 62800. Any sustained break above the same might resume the existing uptrend and could push the price towards Rs. 63400 to Rs. 64000. Support is now at Rs. 61900 after that Rs. 61100 will be the major support.

SILVER

In Feb 2024, silver experienced a significant decline of over 968 rupees, reflecting a 1.34% decline. This marks the third consecutive month of decline. Silver prices have been confined within a wide range of Rs. 69000 to 78000 for the past 11 months. The market is expected to continue trading within this range. Recently silver recovered from lower range and there is now possibility it might rise further towards Rs. 73500 to Rs. 75000. Support is now at Rs. 69800 after that Rs. 68800 will be the major support.

BULLDEX

In Feb 2024, the 'Bulldex' Bullion Index experienced a notable downturn, witnessing a decrease of over 210 points, equivalent to a 1.30% decline. This downturn extends the trend of consecutive three monthly declines. Forecasts indicate that the index is likely to reverse upward as it did not breach below the major support level at 15580. The Index might face hurdle around 16050, sustain break above the same could push it towards 16200 to 16350.

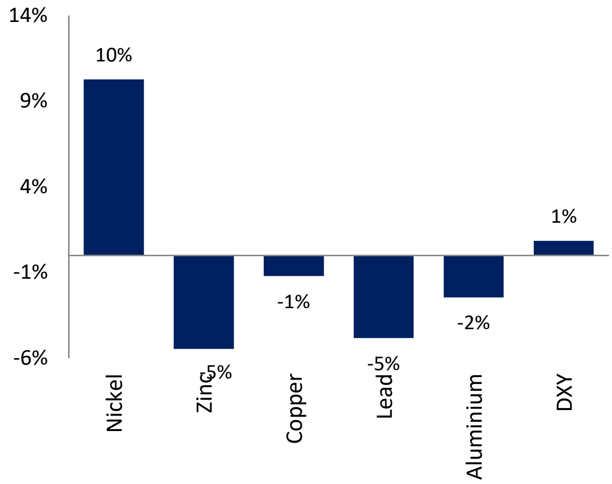
Base Metals

Fundamental Outlook

After a weak start to 2024, the follow on for the metals complex hasn't been any better for the metals complex. They continue to struggle and any rally witnessed over the last couple of months have seen gains getting capped.

China and its economic indicators are widely tracked as it could give a sense of demand scenario for industrial metals. Concerns arose last month from poor industrial demand in China, reflected in declining Yangshan copper premium and a substantial increase in inventories in major Chinese warehouses. In response, Beijing extended economic support measures to stimulate activity and counteract contractionary manufacturing trends, as indicated by the latest official PMI data and growing worries about accelerating deflation.

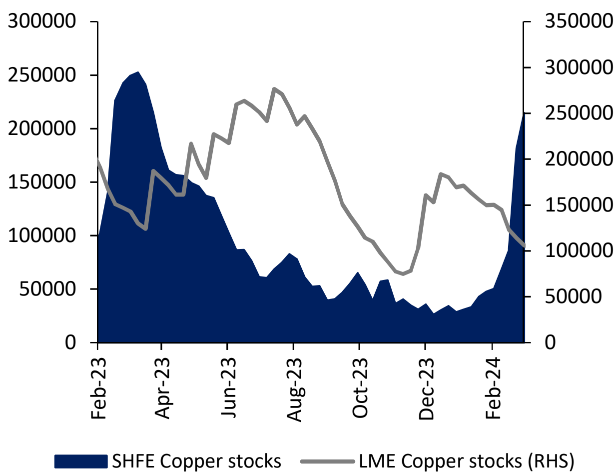
MTD change in LME metals



Copper inventories in SHFE warehouses more than doubled to 181,323 tons. That is the highest level since last March, suggesting that Chinese demand has not made much of a recovery since the Lunar New Year holiday. The pace of consumption rebound after year-end is slightly slower than usual, but it will still be a MoM recovery.

Positive tone of the Dollar Index has been one of the dominant factors which has been having an upper hand on the metals. The world was hopeful of the FED indicating possibilities of reversal in interested rates in the near future, but the task looks to be far-fetched for now which has kept the market participants guessing. Inflationary concerns have been waning, while jobs numbers are robust giving an indication of rates staying higher for longer.

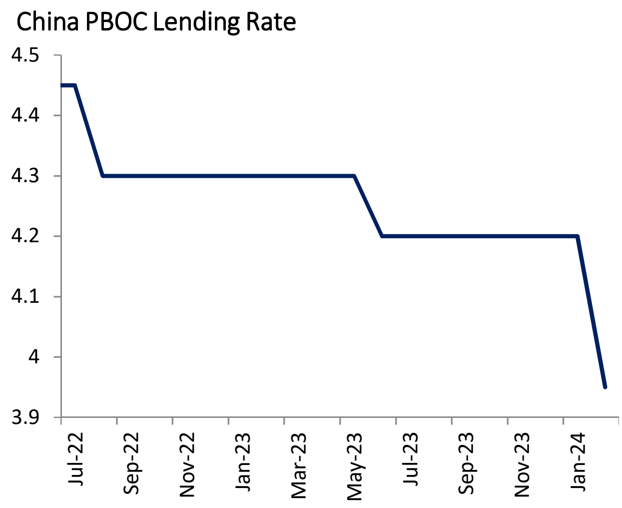
Copper LME and SHFE Stocks



Source: Reuters

ICSG reported a surplus of 20,000 metric tons in the global refined copper market for December, a significant shift from the 123,000 metric tons deficit in November. However, the annual figures still showed a deficit of 87,000 metric tons for the first 12 months of the year, a notable improvement from the 434,000 metric tons deficit in the same period the previous year.

Treatment charges, the fees levied by a smelter for converting concentrate into metal and a good indicator of raw materials availability, stand at $70-100 per ton over LME cash. That's a long way off last year's benchmark of $274 per ton, which tells you how much concentrates availability has tightened over the last year. Lower treatment charges squeeze smelter margins and there have already been casualties. Nyrstar, which is owned by Trafigura, has placed its Budel plant in the Netherlands on care and maintenance. Low treatment charges have combined with low physical metal premiums and high-power costs to undermine the smelter's profitability.



Source: Reuters

PBoC contributed to the market dynamics by slashing its 5-year loan prime rate by 25 basis points to 3.95% in February, exceeding market forecasts. This move aimed to stimulate credit demand and counter a property downturn.

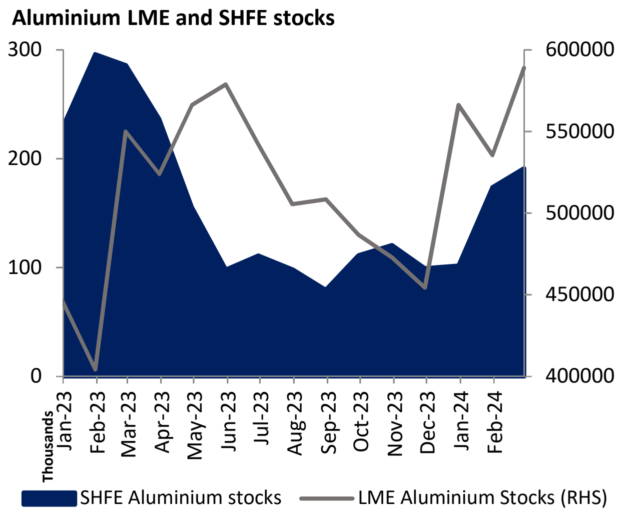
Weakening demand for copper is translating into rising inventories, and an uncertain outlook for China's property sector will likely continue to put downward pressure on the market. Commodity-intensive stimulus will be needed to support short to medium-term demand growth.

Aluminium prices have been swinging within a small price range between $2150 and 2250 with overhang from rise in inventories in Shanghai and anticipation of US sanction on Russian Aluminium. However, Russia imposed sanction on 600 individuals and did not impose sanctions on Russian metal.

Now the focus moves back to demand side woes including the challenging macro backdrop in China and higher borrowing costs and the uncertain path of US Fed's easing cycle. We believe global economic uncertainty will continue to weigh on the outlook for aluminium.

Russian aluminium, at 3.8 million tons, amounted to nearly 6% of global supplies last year. Production reached 3.562 million metric tons, marking a 4.2% YoY increase. Despite a flat MoM daily average aluminium output at 114,900 metric tons, the operating rate of domestic aluminium primary processing enterprises experienced a slight decline.

Amidst these geopolitical waves, a surge in metal inventories has further contributed to the downward pressure on prices. Shanghai's metal inventories saw a dramatic 65% increase recently, while China's inventories peaked at 173K tons for May 2023. These figures indicate a deeper economic undercurrent that could signify oversupply or a decrease in demand. Furthermore, the continuation of bauxite exports from Guinea despite a recent explosion at a fuel depot adds another layer of complexity to the global supply chain narrative.

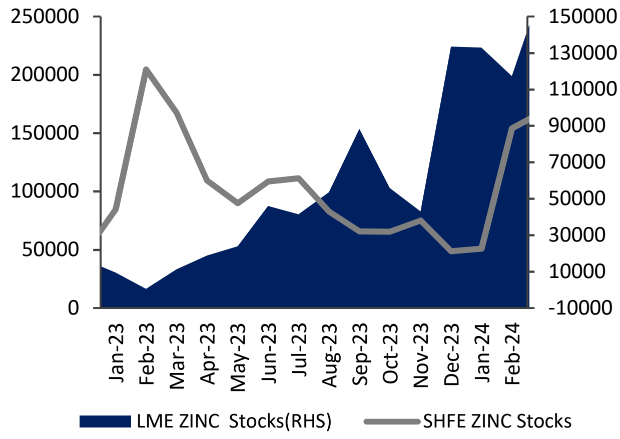


Source: Reuters

It is likely we will see more metals-intensive stimulus from China announced in March around the National People's Congress meeting. U.S. economic data could also weaken from here, weighing on the dollar and fuelling renewed rate cut expectations. Demand in China, which was expected to pick up with the end of the Lunar New Year holiday, has so far disappointed. Overall dips cannot be ruled out, but are likely to attract buying.

LME Zinc 3M is trading around $2,400 per metric ton, is already down by 8% on the start of the year. Zinc's use in galvanised steel means it is heavily exposed to the fortunes of the ailing global construction sector, particularly that in China. The global zinc market is generating a lot of surplus metal, some of which has just turned up in LME warehouses, lifting stocks to the highest level since June 2021.

Zinc stocks in LME & SHFE



Source: Reuters

ILZSG data estimates the global refined zinc market notched up a 204,000-ton supply-usage surplus last year and its most recent forecast in October was for an even bigger 367,000-ton glut this year. More large-volume deliveries into the LME system are quite possible, if LME time-spreads are anything to go by. The benchmark cash-to-3M spread has moved into super-contango at $42.50 per ton, the widest it's been in at least two decades.

Meanwhile, China's refined zinc output in January 2024 experienced a MoM decrease of 4.05%, totalling 567,000 metric tons. The YoY increase was 10.9%, falling below previous expectations. The decline in domestic zinc alloy output in January was attributed to smelter maintenance in several provinces and the shutdown of smelters in Yunnan and Guizhou for holidays.

Zinc prices are influenced by a variety of factors, showing a complex and volatile situation. From macroeconomic factors to market supply and demand to speculative arbitrage behaviour, every aspect is injecting momentum into zinc price fluctuations.

Overall minor metal is very close to the cost curve and further fall could trigger shut down of weaker players which could help the prices to bounce back. But until China bounces back sharply, or we have clarity over rates cuits in the US. the revival of metals will be questionable in the short run. There would be volatility, but just like the last 2 months… dips could be used for opportunistic buying.

Technical Outlook

COPPER

MCX Copper witnessed volatile session towards the start of the month of February, it declined initially followed by a sharp recovery thereafter wherein prices recorded the high of Rs. 735.55 and low of Rs.699.50 level. Prices settled the month with a loss of around 1.00%. On the weekly chart, prices have set up a bullish engulfing pattern indicating bullish reversal at the multiple support mark of Rs. 700. Prices are also advancing in a descending triangle pattern on the weekly chart. The lower bound of the trend line is acting as strong support which is placed near Rs.696 level. The major hurdle for the price is around Rs. 734 above which it might test 744 followed by Rs.757 level on the higher side in the medium term. Support Is now at Rs. 715 after that Rs. 706 will be the major support.

ZINC

MCX Zinc prices recorded the high of Rs.223.95 at the start of the month of February but gave up the gains and recorded the low of Rs.204.65 towards the mid of the month. Prices settled the month with the loss of around 5.00%. Zinc prices have managed to hold the previous swing low of Rs.204 level on sustainable basis and is thus acting as a strong support. On the weekly chart, prices have formed a piercing line pattern indicating bullish reversal at the support mark of Rs. 204. We expect it to test key resistance observed at Rs.225 level. A decisive break above this level is likely to push prices towards Rs.234 level in the medium term. Buy on dips is suggested at Rs.212 in the counter going forward as long as key support of Rs.204 is not breached on closing basis. However, our view will be negated if prices decisively break below Rs.203 level.

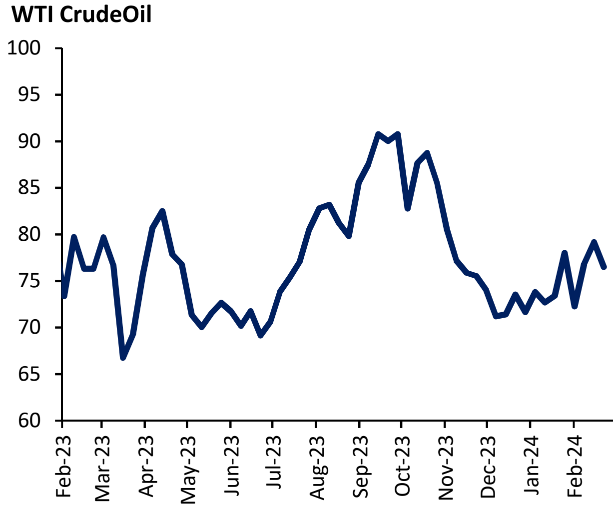
ALUMINIUM

In the base metals pack, Aluminium prices dropped by approximately 2.50% in the month of February. It has been trading in a broader consolidation range of 193 – 215 since past few months. On the weekly chart it took support at lower trend line adjoining lows of Dec'23 and Jan'24. There is a confluence of support region near Rs.195 however key immediate resistances is placed at 207 followed by 213. It has been relatively weaker amongst the base metals pack. There is a possibility for it to trade in a tight band going forward. We suggest to remain neutral in the counter. One can expect weakness below key support of Rs.193 on the closing basis.

Energy

Fundamental Outlook

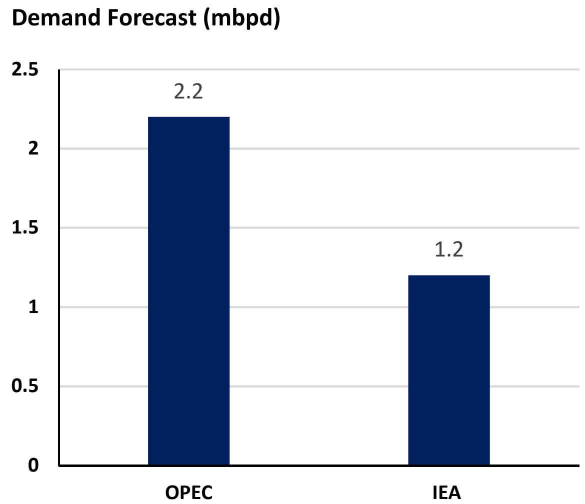
Crude Oil posted gains of 3% in previous month, heading for second consecutive gains. The theme for the month has been the imbalance of forecasts between the two producer groups and geopolitical unrest which provided a floor to oil prices.



Source: Reuters

The United States vetoed a draft of United Nations Security Council resolution on the Israel-Hamas conflict opposing a demand for an urgent humanitarian ceasefire in favour of a temporary truce tied to the release of Hamas hostages. Joe Biden said he believed a ceasefire and a pause for hostage agreement could be reached ahead of Ramadan's start on March 10. Negotiations in Qatar, which are centered on both a ceasefire and the release of captives, have made headway, with proximity talks signalling advanced deliberations. While Israel and Hamas' public stances on a truce remain unclear, talks between Israeli and Qatari officials have sparked confidence.

IEA raises 2024 oil demand forecast but lags OPEC view



Source: Reuters

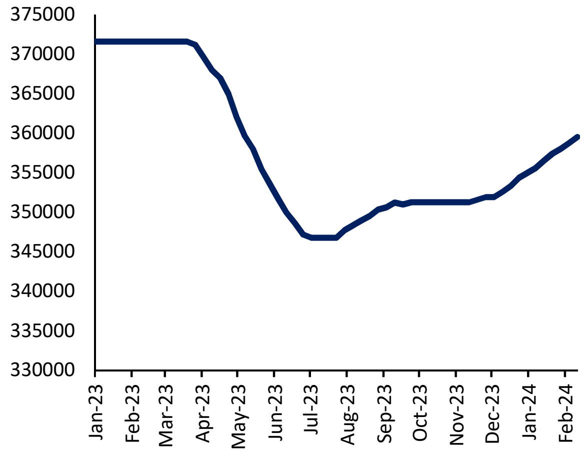
The IEA and the OPEC have clashed in recent years over the future of oil demand. The IEA has boosted its global oil demand growth forecast for 2024, but it remains lower than OPEC's expectations. They have also stated that the market appeared adequately supplied due to stronger growth outside of the producer group, as they increased their global oil supply forecast to a new high of 103.5 million bpd in 2024, boosted by record-breaking output from the United States, Brazil, Guyana, and Canada. The IEA predicts that oil demand will peak by 2030 as the world switches to greener fuels, a notion that OPEC countered, the IEA also predicts global consumption will rise by 1.24 million barrels per day (mbpd) in 2024. This was its third consecutive upward revision in as many months but was below OPEC's 2.25 mbpd projection.

Further supporting the upward trajectory of oil prices is a sign of a tightly supplied market. Oil contracts connected to near-term delivery have been trading at their sharpest premium over later-dated contracts in some months, a market structure known as backwardation. Whether or not markets continue to tighten will be determined in large part by OPEC+'s ability to maintain discipline and progressively unravel its production cuts.

Data from the US showed PCE price index, the Federal Reserve's favored inflation gauge, dropped in January as per expectations, building a case for rate cut in this year by the Fed, supporting a month-end rise in the broader financial markets. However, as mentioned by several Fed official's inflation still remains much above the Fed's target of 2% and they are in no hurry for early rate cuts, keeping the marketing participants on the edge. Any potential rate cuts along with signs of cooling US economy may prove to be a pain point for crude demand.

The Biden administration is gradually refilling the Strategic Petroleum Reserve (SPR) after selling a record quantity of oil from it in 2022 to control gasoline prices following Russia's invasion of Ukraine. The Department of Energy announced that it is seeking to purchase another three million barrels of domestically produced crude oil for the SPR, the latest in a series of minor purchases for the stockpile. The oil is scheduled to be delivered to the SPR in August. According to department officials, planned life extension maintenance at two of the four SPR sites is slowing down the pace of buybacks. Quick buybacks of significantly higher amounts may potentially risk pushing up oil and gasoline prices ahead of the November 5 presidential election.

US SPR filling up at a steady pace



Source: IEA

China imported record-high crude oil at 11.28mbpd in 2023, suggested by Reuters, despite the uncertain economic background. China's oil demand growth was expected to fall to ~4% in the first half of 2024 amidst their ongoing distress in property sector and overall economy. Despite the PBoc slashing its 5-year loan prime rate by 25 bps to 3.95% in February to aid these woes, China has not able to pick up pace.

The principal drivers of oil imports in 2024 are likely to be aviation demand for kerosene and petrochemical demand for high-end chemical compounds used in the production of critical commodities such as solar panels and electric vehicles.

Natural gas prices fell 11%, marking the fourth consecutive monthly decline and the longest losing streak since March 2020, owing to a mild winter that left stockpiles well above normal, while output remained near record levels despite an Arctic freeze in January that temporarily reduced output and sent gas demand to a record high. Market participants also kept a close eye on a wildfire that ripped across the Texas Panhandle. Several smaller wildfires at various stages of containment are burning other parts of the state's northern Panhandle, whipped up by fierce winds and hot, dry weather.

Chesapeake Energy Corp., announced to lower capital expenditures (capex) by 20% in 2024 and production by 15%, compared to preliminary forecasts issued last quarter; in an effort to reduce supply in an already oversupplied market. Chesapeake plans to achieve most of its production cuts by not turning wells in progress to sales. It also plans to drop rigs and completion crews. The company now plans to spend up to $1.35 billion this year and produce between 2.65-2.75 Bcf/d. This provided some support to natural gas prices in the latter half of the month.

Outlook:

With a currently tightened market and geopolitical unrest providing a floor to oil prices, a few risks of green fuel transition and lacklustre economic growth in China pressuring prices. OPEC+ is considering to extend its production cuts until at least Q2'24, any further cuts or updates regarding this in this year could continue to cushion prices on lower end. Traders will also focus on demand/supply forecast imbalance and future demand progression, even as macroeconomic tail risks and geopolitical uncertainty continue to cloud oil's outlook.

Technical Outlook

CRUDEOIL

In February, the price of crude oil climbed approximately 200 rupees, marking a gain of 3.17% at the close. Over the preceding three months, crude oil has been fluctuating within a wide range, ranging from Rs. 5700 to 6600. The past two months have concluded positively, hinting at a potential continuation of this upward move. Any dip towards the Rs. 6300 to 6200 range presents a favorable buying opportunity, with an expected target price range of Rs. 6650 to 6800. However, significant support is around Rs. 6100, and a sustained breach below this level would negate the bullish outlook.

NATURALGAS

In February, the price of natural gas experienced a decline of more than 20 rupees, resulting in a negative close by 11.34%. Natural gas has been consistently trading in a downward trend for the past 4 months and is currently hovering close to the immediate support levels ranging from 138 to 128. The 14-period Relative Strength Index (RSI) is trading below the midpoint, indicating weakness in the market. It is anticipated that the corrective rally will persist, with prices likely to test the range between Rs. 170 to 180 levels. We could see the rally might fizzle out in this range and it could again start falling.

Monthly Monetary Policy Update

Monetary Policy Update

Central Bank	RBI	FED	BOJ	BOE	ECB
Date of Policy	8th February, 2024	1st February, 2024	23rd January, 2024	1st February, 2024	25th January, 2024
Next Policy meet	3rd-5th April, 2024	20th March, 2024	19th March, 2024	21st March, 2024	7th March, 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 • Global growth is likely to remain steady in 2024	• The Fed decided to leave interest rates unchanged • FOMC statements and Powell opened door to expect easing to begin after next Fed meeting in mid-March • The Committee is not willing to cut rates until it gains confidence that inflation is moving	• 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% • Andrew Bailey said the central bank would be comfortable holding rates even if the U.S. Federal Reserve and European Central Bank would be cutting •The labour market has continued to ease, but remains tight by historical standards.	• ECB held its interest rates to fight inflation •Policymakers speaking on condition of anonymity after the meeting said they were open to a change in rhetoric at their next meeting, paving the way for an interest rate cut possibly in June • The ECB expects household and government spending to drive a recovery but data appear to be painting a bleaker picture, with manufacturing remaining in recession and services
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 0.0% in Q1 '24 • CPI-Q1 '24 is seen at 3.6% • Unemployement rate Q1 '24 is seen at 4.4%	• 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 –March 2024

Monday	Tuesday	Wednesday	Thursday	Friday
				1 Manufacturing PMI CNY Non-Manufacturing PMI CNY Caixin Manufacturing PMI CNY Final Manufacturing PMI UK Core CPI Flash Estimate y/y EU CPI Flash Estimate y/y EU Unemployment Rate EU Final Manufacturing PMI US ISM Manufacturing PMI US UoM Consumer Sentiment US ISM Manufacturing Prices US FOMC Member Waller Speaks US FOMC Member Bostic Speaks US Fed Monetary Policy Report US
4	5 BOJ Gov Ueda Speaks JPY Final Services PMI US ISM Services PMI US Factory Orders m/m US	6 Retail Sales m/m EU Non-Farm Emp Change US Fed Chair Powell Testifies US JOLTS Job Openings US Crude Oil Inventories US FOMC Member Daly Speaks	7 Main Refinancing Rate EU Monetary Policy Statement EU Unemployment Claims US Trade Balance US ECB Press Conference Fed Chair Powell Testifies Natural Gas Storage FOMC Member Mester Speaks	8 New Loans CNY Revised GDP q/q EU FOMC Member Williams Speaks Average Hourly Earnings m/m US Non-Farm Employment Change US Unemployment Rate US
11 Final GDP q/q JPY	12 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	13 GDP m/m UK Annual Budget Release UK Crude Oil Inventories	14 Core PPI m/m US Core Retail Sales m/m US PPI m/m US Retail Sales m/m US Unemployment Claims US Natural Gas Storage	15 Industrial Production y/y CNY Retail Sales y/y CNY Empire State Manufacturing Index US Industrial Production m/m US Prelim UoM Consumer Sentiment US
18 Final CPI y/y EU Trade Balance EU	19 Monetary Policy Statement JPY BOJ Policy Rate ZEW Economic Sentiment EU Building Permits US Housing Starts US	20 CPI y/y UK Core CPI y/y UK Crude Oil Inventories Federal Funds Rate US FOMC Economic Projections FOMC Statement	21 FOMC Press Conference French Flash Manufacturing PMI French Flash Services PMI German Flash Manufacturing PMI German Flash Services PMI Flash Manufacturing PMI Eu Flash Services PMI EU German ifo Business Climate UK Flash Manufacturing PMI UK Flash Services PMI UK Monetary Policy Summary UK MPC Official Bank Rate Votes Official Bank Rate UK Unemployment Claims US Philly Fed Manufacturing Index US Flash Manufacturing PMI US Flash Services PMI US Consumer Confidence EU Existing Home Sales US Natural Gas Storage US	22 Retail Sales m/m UK
25 Monetary Policy German Buba New Home Sales US	26 BOJ Core CPI y/y	27 Crude Oil Inventories	28 BOJ Summary of Opinions JPY Final GDP q/q UK Final GDP q/q US Unemployment Claims US Chicago PMI US Revised UoM Consumer Sentiment US Pending Home Sales m/m US Natural Gas Storage US	29 Manufacturing PMI CNY Non-Manufacturing PMI CNY Housing Starts y/y UK Bank Holiday UK Core PCE Price Index m/m US Goods Trade Balance US

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