

COMMODITY

Morning Roundup

Kshitij Purohit

Lead – International & Commodity

Sept 21, 2021



Bullion Update

GOLD

Last week Gold futures were trading lower, but they were still holding the previous session's low. After an unexpected boost in US retail sales raised anticipation that the Fed will reduce its stimulus sooner, the market tumbled nearly 3% to its lowest level since August 12, causing Treasury yields to rise and the US Dollar to gain. The 10-year Treasury note yield reached its highest level since July 14. Any increase in returns raises the opportunity cost of owning non-yielding assets such as bullion. Furthermore, a rising US dollar will raise the price of gold for customers holding foreign currencies.

MCX Gold is trading near 46300, Support is seen at 45800 - 45500, while resistance seen at 46470 - 46700.

SILVER

Silver prices have dropped considerably this week, reaching as low as \$22.50. This is an area that has proven helpful on multiple occasions, stretching all the way down to \$22. Aside from that, we have a lot of questions about the US dollar. After all, because the silver market is priced in the same currencies as the US dollar, there is a strong negative correlation between the two. If we break down below \$22, I believe we will make a beeline for the \$20 level, and even the \$19 level after that. That said, I believe the \$24 level will be a key resistance barrier if we turn around and rally from here.

MCX Silver is trading near 59600, Support seen at 58500 - 57000, While resistance seen at 60500.

Energy Update

Crude Oil

Breaking above a short-term downtrend line, the West Texas Intermediate Crude Oil market has broken above \$71 to show signs of life once more. This is a continuation of the upward trend, as we appear to be on the verge of going even higher. To the downside, the \$70 level would be supportive, and with that in mind, I believe we are in for a "buy on the dips" scenario, with the 50 day EMA beneath at \$61.48 serving as a big support level. That said, I believe it will find plenty of support numerous times before we get anywhere close to there, especially if we see a shift in the US dollar and it begins to plummet.

MCX Crude Oil is trading near 5200, Support seen at 5120 while resistance is 5320 – 5370.

Natural Gas

Markets for natural gas have gained strongly this week, only to reverse course and show symptoms of weariness. The candlestick resembles a shooting star, yet the body is a touch too large to be considered a true shooting star. Given enough time, the market will likely continue to find buyers, but it is clear that we have run out of steam at this moment. To be honest, the market has gotten ahead of itself, with momentum stalling. At this point in time, a market pullback makes sense, and I believe that is exactly what we are about to experience. However, there should be something worth looking for beneath the surface.

MCX Natural Gas is trading near at 369, support seen at 354, While resistance is 380.

Crude Palm Oil

During this time, major edible oil importers such as palm oil, soybean oil, and rapeseed oil have increased their imports. With the COVID 19 situation improving and the need to buy more palm oil to stock up in expectation of growing demand, particularly from the HORECA sector, macro forces supporting palm oil demand are expected to remain strong in the second half of 2021. Our analysis predicted that China would import 6.72 million MT in total in 2021, up 260,000 MT or 4% from imports of 6.46 million MT in 2020.

MCX CPO is trading near 1110, support seen at 1104 - 1080, while resistance is 1130.

BASE METAL UPDATE

COPPER

MCX Copper future has traded back and forth during the course of the week, tested the high around the resistance of 745 and settled down at 722.50. The price has formed a Descending broadening wedge pattern on hourly chart and past few sessions remained sideways to marginally bearish. The price has fell in last two sessions following China's state planner stated in a briefing that it will keep a close eye on market developments and continue to release copper from its state reserves to address supply-demand imbalances. China has released 420,000 tonnes of the metals in three batches so far this year via public auction. The key support would be at 720 – 718 and if price breaks below this mark, we may expect more downfall towards 700 – 690 in upcoming sessions.

MCX Copper trading at 705, Support is at 702.50 levels, while resistance is near 714 levels.

ZINC

MCX Zinc future has formed a Symmetric triangle pattern on intraday chart and traded marginally bullish over the course of the week, settled near 256.10. Like other base metals, Zinc were trading mostly trading on macro-economic factors like US Inflation figures which lowered the likelihood of the Fed withdrawing liquidity soon. A stronger dollar makes dollar-denominated commodities costlier for non-U.S. firms. The key resistance is at 260 and if price breaks above this level, we may expect bullish momentum towards 267.50 – 270 in upcoming week. The major support is at 252.

Disclaimer

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Disciplinary history: Capital Via was served with a show cause notice (Interim Order) on 11th November 2016 by the regulator SEBI for the procedural gap and subsequently passed a final order on 20th January 2017 and advised us 'not to solicit or undertake any fresh advisory business' for the period of four months which has ended on EOD 19th May, 2017

Conflict of interest: No CapitalVia employees are officers or directors of the subject companies mentioned in the report. CapitalVia does not own any shares in the subject company. Analysts who prepared the present report do not own the stocks of the subject company. The information contained herein is not represented or warranted to be accurate, correct, complete, or timely. This report is for information purposes only and should not be considered a solicitation to buy or sell any security. CapitalVia, its directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned

herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of CapitalVia even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report. Research Analyst has not served as director/officer, etc. in the subject company in the last 12 month period. CapitalVia and/or its associates have not received any compensation from the subject company in the past 12 months. In the last 12 months period ending on the last day of the month immediately preceding the date of publication of this research report, CapitalVia or any of its associates may have: a) managed or co-managed public offering of securities from subject company of this research report, b) received compensation for investment banking or merchant banking or brokerage services from subject company of this research report, c) received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report. d) Subject Companies were never been a client of CapitalVia or its associates preceding the date of distribution of the research report. CapitalVia and it's associates have not received any compensation or other benefits from the subject company or third party in connection with the research report. The recipients of this report should be aware that CapitalVia do not have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Terms & Conditions: This report has been prepared by CapitalVia and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of CapitalVia. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. CapitalVia will not treat recipients as customers by virtue of their receiving this report.

Analyst Certification: The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research.

CapitalVia Global Research Limited (Investment Adviser); SEBI Registration number- INA200001512; validity of registration - (Perpetual), Registered Address- 1st Floor 'Spring Board', Kagalwala House Plot No. 175, Behind Metro House CST Road, Kalina, Bandra Kurla Complex, Santacruz East Mumbai, Maharashtra, India – 400098; Corporate Address- 903, B-1 9th Floor, NRK Business Park Scheme No. 54 PU-4 Indore, Madhya Pradesh, India – 452010 Email id: Phone: 8085999333; hi@capitalvia.com; Principal Officer: email id: principal@capitalvia.com; contact number: 0731 6736036, Corresponding SEBI Office: Plot no. C-7, 'G' Block, Bandra Kurla Complex, Bandra(E), Mumbai - 400051, Maharashtra