

July 31, 2023

Daily Currency & Commodities Outlook

Daily Recommendations						
Commodity/Index	Expiry	Action	Entry	Target	Stop Loss	Time Frame
Crude Oil	August	Buy	6530-6540	6700	6450	Intraday
EURINR	August	Buy	90.60-90.62	90.90	90.40	Intraday

Research Analysts

Raj Deepak Singh

rajdeepak.singh@icicisecurities.com

Saif Mukadam

saif.mukadam@icicisecurities.com

Anup Sahu

anup.sahu@icicisecurities.com

News and Developments

- Spot Gold prices edged higher on Friday amid retreat in Dollar and decline in US treasury yields across curve. Yields slipped after data showed June inflation continued to moderate and labour cost in US increased less than expected in 2nd quarter
- June PCE core deflator, Fed preferred gauge of inflation eased to 4.1% on Y-o-Y basis from 4.6% in May
- The Employment Cost Index, the broadest measure of labor costs, rose 1.0% last quarter after advancing 1.2% in the first quarter
- Benchmark 10-year treasury yield slipped below 4.0% to 3.95% while 2-year Treasury yield, which typically moves in step with interest rate expectations declined to 4.88%
- Dollar fall back from its 2-1/2 week high as cooling inflation raised bets that US Federal Reserve is likely done with its monetary tightening cycle. Also, strength in the yen weighed on the dollar after the BOJ tweaked its yield curve control program
- Crude oil prices ended on the positive note amid retreat in US dollar and ongoing concerns over supply tightness following OPEC+ production cuts.
- Copper prices and other industrial metal rose on Friday amid rise in risk appetite in the global markets and retreat in US dollar. Market sentiments improved after data showed US inflation slowed considerably in June, raising hopes that US Fed is close to ending its interest rate hiking cycle

Price Performance

Commodity	LTP (₹)	Change	LTP (\$)	Change
Gold	59427	0.81%	1959.49	0.69%
Silver	74059	0.42%	24.34	0.87%
Copper	743.8	1.17%	8662.50	1.09%
Aluminium	199.9	0.83%	2222.00	0.77%
Zinc	221.3	1.47%	2497.50	1.77%
Lead	184.3	0.11%	2158.50	0.02%
WTI Crude Oil	6579	0.26%	80.58	0.61%
US Nat Gas	215.9	1.74%	2.64	5.86%

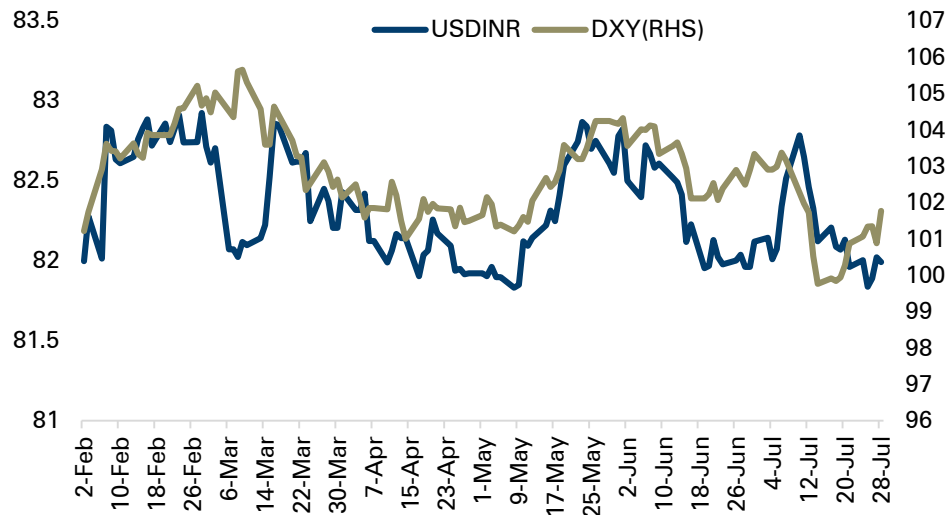
Domestic Currencies

Futures	Close	% Change	Open Interest	Change in OI	Volume	Change in Vol
USDINR (29th Aug)	82.28	0.35%	2134925	1330165	2843638	1772709
EURINR (29th Aug)	90.65	-0.34%	175781	136042	392522	295060
GBPINR (29th Aug)	105.83	-0.36%	358716	281610	502564	321584

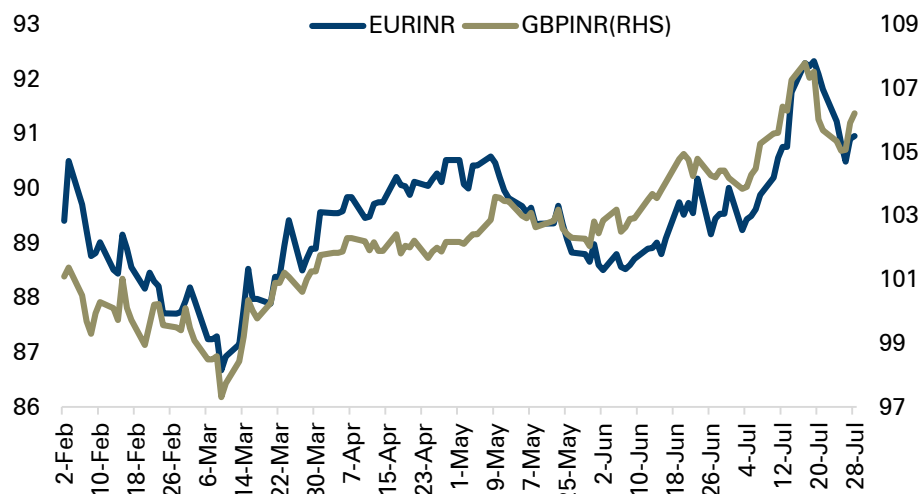
Daily Strategy Follow-up

Commodity/Index	Expiry	Action	Entry	Target	Stoploss	Comment
Copper	August	Sell	737.5-738	730	742 Stoploss Triggered	
USDINR	August	Buy	82.10-82.12	82.30	81.95	Not Initiated

Dollar Index vs. US\$INR



EURINR vs. GBPINR



Source: Bloomberg, Reuters, ICICI Direct Research

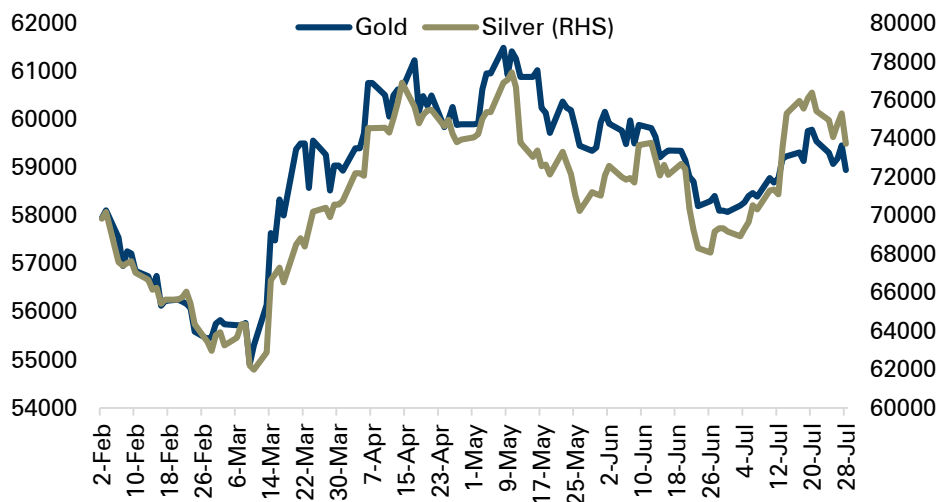
Rupee Outlook

- Rupee is expected to appreciate today amid softness in the US dollar. The drop in US core PCE numbers to 4.1% YoY from previous record of 4.6% in May has eased the rate hike fears in September. The CME FedWatch toll suggests more than 80% probability of pause in the September meeting.
- US\$INR is likely to face the hurdle near 82.40 and move back towards 82.10. Only a move above 82.40 would open the doors for the next key resistance at 82.60. On the downside a move below 82.10 it would weaken towards 81.90

Euro and Pound Outlook

- Euro recovered from its 3-week low and closed above the 1.10 mark on Friday amid softer dollar. For the day, Euro is expected to hold above the 1.10 and rise towards 1.1080 amid expectation of higher inflation numbers. The higher inflation number could force the ECB to maintain its hawkish stance, which would help the Euro to trim its earlier losses against the dollar. EURINR is expected to weaken find support near 90.20 and move back towards 91.00
- Pound is expected to hold the support near 1.28 and rise back towards 1.2910 amid softness in the dollar. The 50 day EMA near 1.2780 could act as major support to the pair. GBPINR is likely to move back towards 106.20 as long as it holds above the 105.00 mark.

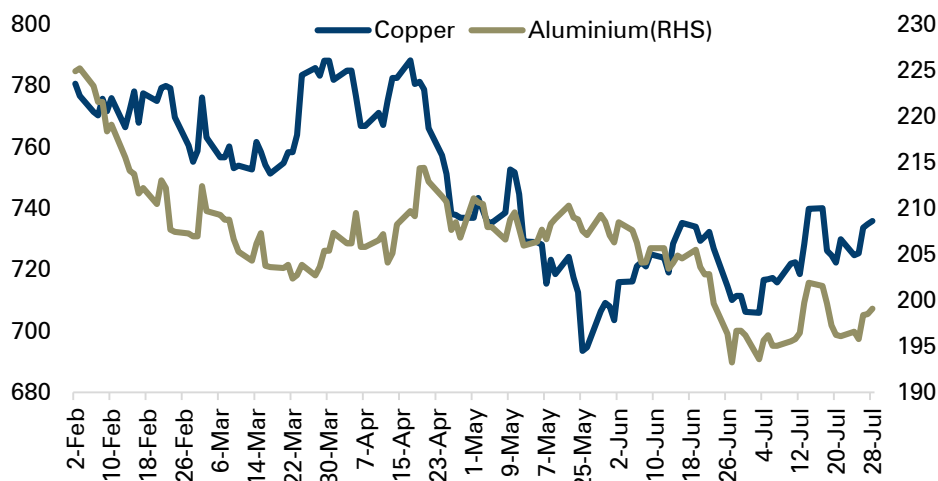
MCX Gold vs. Silver



Bullion Outlook

- Spot gold is likely to hold the support near \$1945 and rise further till \$1970 level amid soft dollar and expectation of decline in US treasury yields across curve. Fresh batch of economic data from US fuelled the expectation that US Fed is closer to ending its fastest interest rate hiking cycle since 1980's. As per CME FedWatch tool investors now see a 80% chance of Fed holding its rate steady
- MCX Gold prices is likely to move further north towards ₹59,700 level as long as it trades above the support level of ₹59,000 levels
- MCX Silver is expected to rise further till ₹74,800 level as long as it sustains above ₹73,600 level

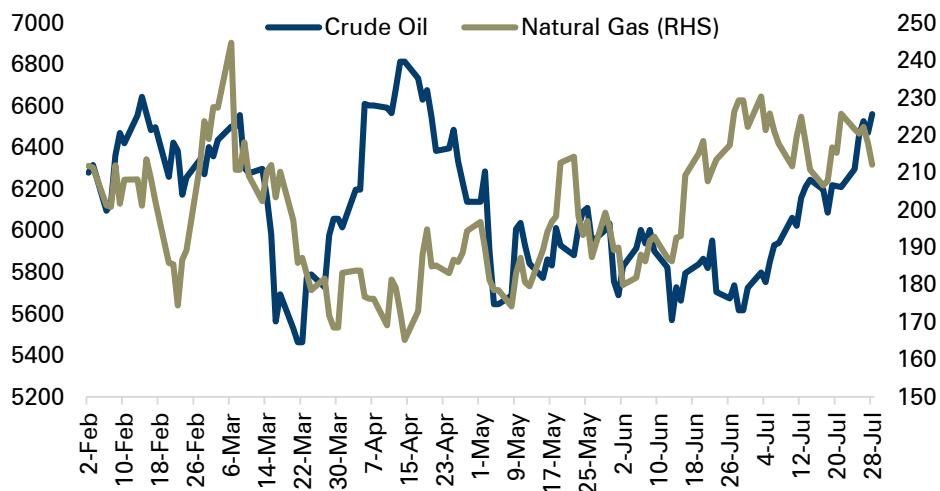
MCX Copper vs. Aluminium



Base Metal Outlook

- Copper prices are expected to trade with with positive bias amid soft dollar. Further, disappointing economic data from China may push up expectations of more stimulus measures from government to revive economic growth. Chinese manufacturing activity contracted for 4th consecutive month in July. Official manufacturing pmi stood at 49.3 in July, reading was slightly higher than expectations of 49.2 and prior month reading of 49.0 while Non-Manufacturing PMI declined to 51.5 in July from 53.2 in preceding month.
- MCX Copper may rise further towards ₹750 levels as long as it trades above ₹736 levels
- MCX aluminium is expected to move north towards ₹202.50 level, as long as it trades above ₹199.50 level

MCX Crude Oil vs. Natural Gas



Energy Outlook

- NYMEX Crude oil is expected to rise further till \$82 as long as it holds the support level of \$79 amid soft dollar and on concerns over supply tightness in the near month following OPEC+ production cut. Additionally, Saudi Arabia is expected to extend its voluntary oil output cut of 1 mbpd for another month. Further, prices may rally on expectations that major central banks like Fed and ECB are nearing the end of policy tightening
- MCX Crude oil is likely to hold support near ₹6450 level and rise towards ₹ 6700 levels
- MCX Natural gas is expected to move upwards towards ₹225 level as long as it stays above ₹210 level.

Daily Commodity Pivot Levels

Commodity	S2	S1	Pivot	R1	R2
Gold	58822	59124	59290	59592	59758
Silver	73320	73689	73970	74339	74620
Copper	732.8	738.3	741.5	747.0	750.1
Aluminium	197.2	198.5	199.3	200.6	201.4
Zinc	216.7	219.0	220.3	222.6	224.0
Lead	183.5	183.9	184.2	184.6	184.8
Crude Oil	6462	6521	6565	6624	6668
Nat Gas	207	211	217	221	226

Daily Currency Pivot Levels

Futures	S2	S1	Pivot	R1	R2
US\$INR (Aug)	82.10	82.19	82.31	82.40	82.51
US\$INR (Sep)	82.13	82.24	82.37	82.49	82.62
EURINR (Aug)	90.11	90.38	90.56	90.83	91.00
EURINR (Sep)	90.30	90.56	90.72	90.98	91.14
GBPINR (Aug)	104.69	105.26	105.70	106.27	106.72
GBPINR (Sep)	104.82	105.35	105.73	106.26	106.63
JPYINR (Aug)	58.04	58.74	59.35	60.04	60.66
JPYINR (Sep)	58.33	59.05	59.67	60.40	61.02

Key Parameters

Major Currency Pairs

Currencies	Close	Pvs. Close	% Change
DXY	101.62	101.77	-0.15%
US\$INR	82.26	81.94	0.39%
EURUSD	1.1016	1.0979	0.34%
EURINR	90.26	91.28	-1.12%
GBPUSD	1.2851	1.2796	0.43%
GBPINR	105.44	106.34	-0.85%

10 year government - Global Bonds Yields

Country	Close	Pvs. Close	Change
India	7.161	7.122	0.039
US	3.951	3.998	-0.0475
Germany	2.492	2.474	0.018
UK	4.326	4.310	0.016
Japan	0.568	0.450	0.118

US Crude Stocks Change (Barrels)

Release Date	Time (IST)	Actual	Forecast
7/26/2023	8:00 PM	-0.6M	-2.20M
7/19/2023	8:00 PM	-0.708M	-2.0M
7/12/2023	8:30 PM	5.9M	-1.1M
7/6/2023	8:30 PM	-1.5M	-1.0M
6/28/2023	8:00 PM	-9.6M	-1.4M
6/22/2023	8:30 PM	-3.8M	0.3M
6/14/2023	8:00 PM	7.9M	-1.3M

LME Warehouse Stocks (Tonnes)

Commodity	Current Stock	Change in Stock	% Change
Copper	64425	2175	3.49%
Aluminium	509000	-2000	-0.39%
Zinc	99150	3075	3.20%
Lead	52775	-200	-0.38%
Nickel	37542	-48	-0.13%

Economic Calendar



Date & Time (IST)	Country	Data & Events	Actual	Expected	Previous	Impact
Monday, July 31, 2023						
11:30 AM	Europe	German Retail Sales m/m		-0.30%	0.40%	Medium
2:30 PM	Europe	CPI Flash Estimate y/y		5.30%	5.50%	High
7:15 PM	US	Chicago PMI		43.30	41.50	Medium
Tuesday, August 01, 2023						
7:15 AM	China	Caixin Manufacturing PMI		50.00	50.50	Medium
1:30 PM	Europe	Final Manufacturing PMI		42.7	42.7	Medium
1:30 PM	UK	Final Manufacturing PMI		45.00	45.00	Medium
2:30 PM	Europe	Unemployment Rate		6.50%	6.50%	Medium
7:30 PM	US	ISM Manufacturing PMI		46.90	46.00	High
7:30 PM	US	JOLTS Job Openings		9.61M	9.82M	High
Wednesday, August 02, 2023						
5:45 PM	US	ADP Non-Farm Employment Change		195K	497K	High
8:00 PM	US	Crude Oil Inventories			-0.6M	Medium
Thursday, August 03, 2023						
1:30 PM	Europe	Final Services PMI		51.10	51.10	Medium
2:00 PM	UK	Final Services PMI		51.50	51.50	Medium
4:30 PM	UK	Official Bank Rate		5.25%	5.00%	High
6:00 PM	US	Unemployment Claims		223K	221K	High
7:30 PM	US	ISM Services PMI		53	53.9	High
Friday, August 04, 2023						
All Day	Europe	Retail Sales m/m		0.30%	0.00%	Medium
6:00 PM	US	Average Hourly Earnings m/m		0.30%	0.40%	High
6:00 PM	US	Non-Farm Employment Change		200K	209K	High
6:00 PM	US	Unemployment Rate		3.60%	3.60%	High

Source: Bloomberg, Reuters, ICICI Direct Research



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Prabodh Avadhoot Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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