

January 16, 2024

Daily Currency & Commodities Outlook

Daily Recommendations

Commodity/Index	Expiry	Action	Entry	Target	Stop Loss	Time Frame
Crude Oil	February	Buy	5980-5990	6150	5880	Intraday
USDINR	January	Buy	82.90-82.92	83.10	82.78	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 ended on the positive note as demand for safe haven increased due to rising tension in Middle East. Further, markets raised bets that US Fed will start cutting rates as soon as March
- The war between Hamas and Israel has passed 100-day mark, while Houthi threat to respond to US air strikes on Yemen
- Dollar was little changed yesterday in cautious during a US public holiday.
- As per CME Fedwatch tool, expectations for Fed to cut rate in March decline to 70% from 76.9% a day ago while, prospects of no rate cut increased to 26.7% from 19% a day ago
- Yield on benchmark US 10-year treasury note is near 3.997% and 2-year treasury yield, which typically moves in step with interest rate expectations moved higher towards 4.199%
- Crude oil prices ended on the negative note amid steady dollar and as Middle East conflict's limited impact on crude output led to profit booking. Meanwhile, sharp downside was cushioned as chief negotiator for Yemen's Houthis warned that attacks on ships headed toward Israel will continue. An anti-ship ballistic missile fired by Houthi struck a Marshall Islands-flagged, U.S.-owned and operated container ship
- Copper prices edged higher amid concern over supply disruption and persistent decline in inventories at LME registered warehouses. Meanwhile, sharp upside was capped on firm dollar and as worries about Chinese demand resurfaced after central bank surprised markets by leaving key interest rates unchanged
- Zinc prices moved higher after Nyrstar said it will suspend zinc smelting operations at its Dutch plant in Budel in the second half of January

Price Performance

Commodity	LTP (₹)	Change	LTP (\$)	Change
Gold	62559	0.32%	2056.55	0.37%
Silver	72627	0.20%	23.22	0.11%
Copper	715.4	0.42%	8381.00	0.50%
Aluminium	200.1	-0.77%	2204.50	-0.68%
Zinc	225.6	1.14%	2558.50	1.77%
Lead	182.4	0.11%	2108.50	0.84%
WTI Crude Oil	6008	-0.41%	72.68	0.92%
US Nat Gas	255.1	-6.90%	3.31	6.97%

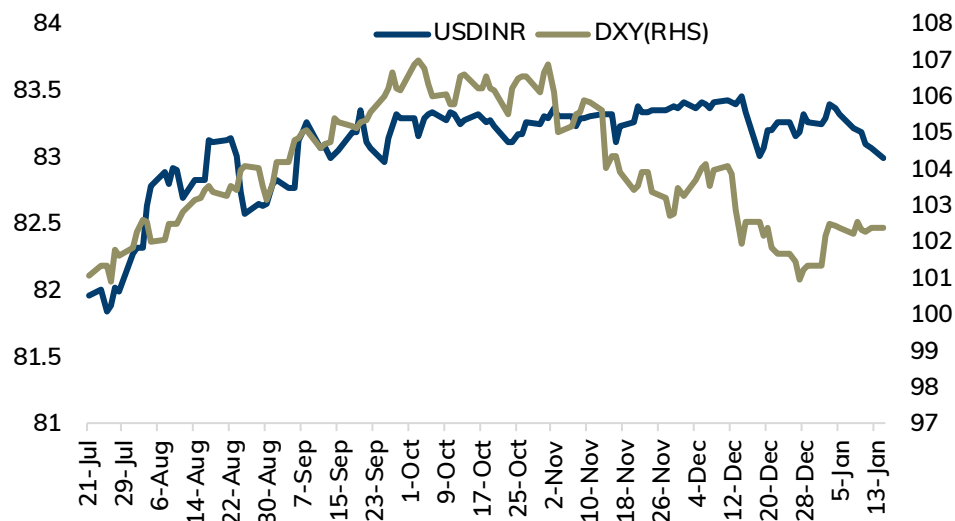
Domestic Currencies

Futures	Close	% Change	Open Interest	Change in OI	Volume	Change in Vol
USDINR (29th Jan)	82.93	-0.08%	3731930	-105854	1900972	-1689606
EURINR (29th Jan)	90.79	-0.21%	169464	6168	128234	-55412
GBPINR (29th Jan)	105.55	-0.22%	268848	5812	174939	-101800

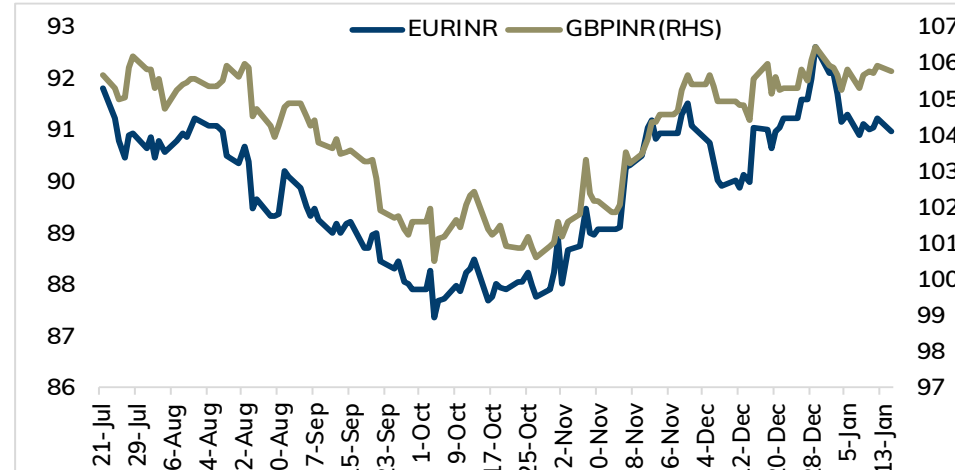
Daily Strategy Follow-up

Commodity/Index	Expiry	Action	Entry	Target	Stoploss	Comment
Gold Mini	January	Buy	62280-62300	62700	62050	Not Initiated
EURINR	January	Buy	90.88-90.90	91.20	90.70	Exit in Loss

Dollar Index vs. US\$INR



EURINR vs. GBPINR



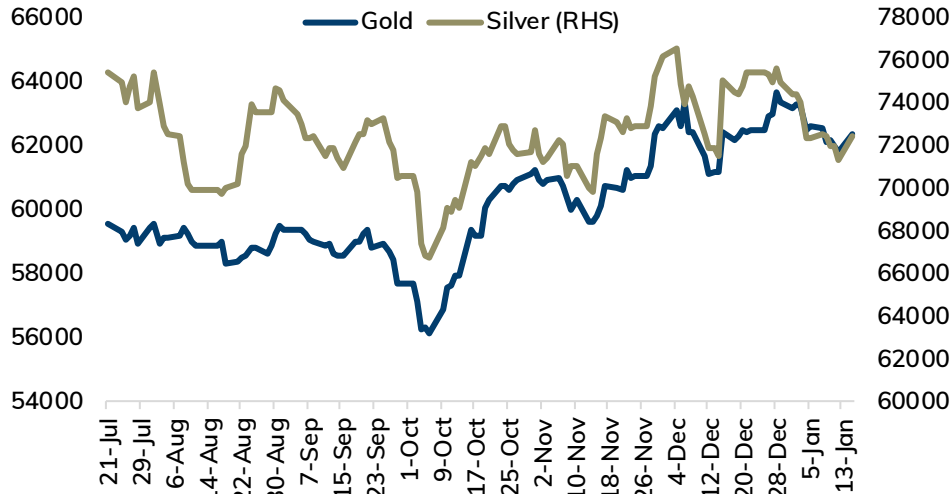
Rupee Outlook

- Rupee strengthened again on Monday aided by strong domestic equities and FII inflows. Further, slide in US treasury yields after Friday's PPI data boosted the hopes of Federal Reserve rate cut in March.
- Rupee is likely to trim its gains amid recovery in the dollar. Meanwhile, strong domestic equities and improved trade balance numbers would limit the downside in the domestic currency. Further increasing probability of 25bps rate cut in March would support the rupee to hold its gains against the dollar. USDINR Jan is likely to find support near 82.80 and recover towards the immediate resistance at 83.10 levels. Only close above 83.10 it would rise towards 83.25.

Euro and Pound Outlook

- Euro slipped yesterday by 0.03% amid weaker set of economic numbers from the Euro zone. German WPI was down by 0.6% in Dec. Further, the German economy contracted by 0.3% in the year 2023, as higher inflation and firm interest rates tad into growth. For today, EURUSD is likely to weaken towards 1.090 level on expectation of weaker economic numbers. EURINR Jan may weaken towards 90.30 level as long as it trades below 91.20 levels.
- Pound moved in a tight range ahead of key jobs numbers. The pair is expected to slide towards 1.2660 levels on recovery in dollar and risk-off trading. Meanwhile, all focus will remain on key job data from UK. GBPINR Jan is likely to move south towards 105.00 level as long as it stays below 105.80 levels. Only close below 105.00 it would turn weaker towards 104.60.

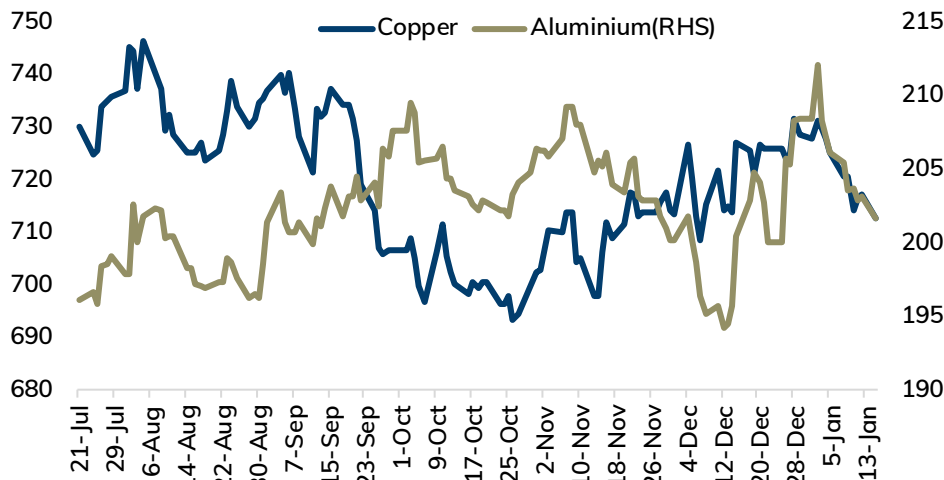
MCX Gold vs. Silver



Bullion Outlook

- Spot gold is likely to rise further till \$2060 level as long as it sustains above \$2040 level amid expectation of correction in dollar and US treasury yields. Dollar and yields may move south on anticipation of weak economic data from US, which may further reinforce expectation of rate cut by US Fed as early as March. As per CME Fedwatch tool traders are pricing in 70% chance for the 25bps rate cut in March, with several more rate cuts in the year. Additionally, demand for safe haven may increase on mounting tension in Middle East. After 100 days of fierce war between Hamas and Israel, there is no end to this war, threatening to spread across Middle East
- MCX Gold prices is likely to move north towards 62,800 level as long as it trades above the support level of 62,200 levels
- MCX Silver is expected to follow gold and rise back towards 73,300 level as long as it sustains above 72,000 level.

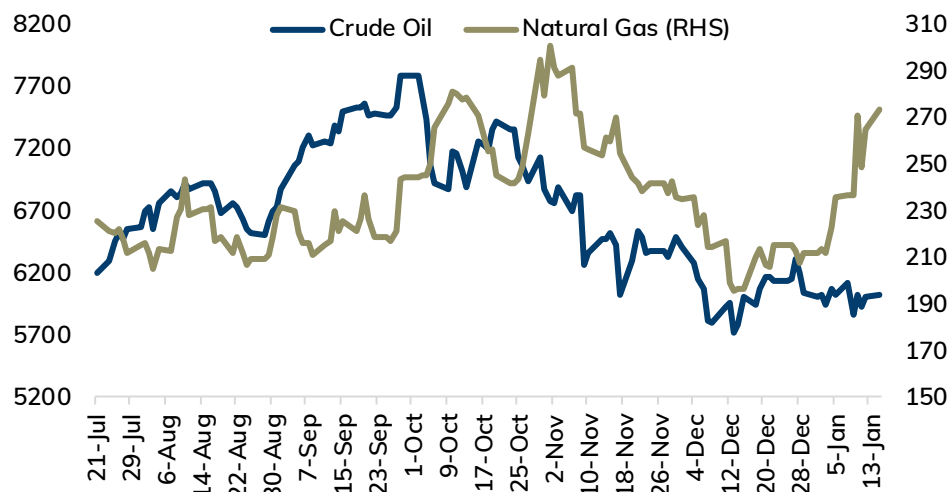
MCX Copper vs. Aluminium



Base Metal Outlook

- Copper prices are expected to trade with negative bias as China's central bank left medium-term policy rate unchanged defying market expectations for cut. Moreover, projection of disappointing economic data from major countries across globe will hurt prices. Additionally, investors will remain cautious ahead of Chinese data on investment, industrial output, GDP and house prices scheduled this week for clues on future demand prospects in the world's biggest metals consumer
- MCX Copper is expected to slip towards 711 level as long as it stays below 718 level. A move below 711 would open the doors towards 708 levels.
- Aluminum is expected to slip further towards 198.50 level as long as it stays below 201.50 level.

MCX Crude Oil vs. Natural Gas



Energy Outlook

- NYMEX Crude oil is expected to rise further towards \$74 as long as it stays above \$71 level on concern over rising tension in Middle East and Libyan supply outage. As per Media sources, ship tracking data showed more tankers altering course away from the Red Sea, increasing the cost of shipping and the time it takes to transport. Additionally, slew of weak economic data from US boosted bets that the Fed might start cutting interest rates as early as March. Moreover, frigid weather condition in US and Canada has led to shutting in some oil production
- MCX Crude oil Feb is likely to rise further towards 6150 levels as long as it trades above 5880 levels.
- MCX Natural gas is expected to slip further towards 248 level as long as it trades below 260 level

Daily Commodity Pivot Levels

Commodity	S2	S1	Pivot	R1	R2
Gold	62357	62458	62552	62653	62747
Silver	72168	72397	72620	72849	73072
Copper	712.3	713.9	715.0	716.6	717.7
Aluminium	198.5	199.3	200.7	201.5	203.0
Zinc	221.5	223.5	225.3	227.3	229.1
Lead	181.6	182.0	182.3	182.7	183.1
Crude Oil	5855	5932	5996	6073	6137
Nat Gas	243	249	259	265	275

Daily Currency Pivot Levels

Futures	S2	S1	Pivot	R1	R2
US\$INR (Jan)	82.76	82.84	82.91	82.99	83.05
US\$INR (Feb)	82.86	82.93	82.99	83.07	83.13
EURINR (Jan)	90.60	90.69	90.83	90.92	91.06
EURINR (Feb)	90.20	90.57	91.29	91.66	92.38
GBPINR (Jan)	105.24	105.40	105.60	105.75	105.95
GBPINR (Feb)	105.39	105.52	105.69	105.82	105.99
JPYINR (Jan)	56.90	57.00	57.16	57.26	57.41
JPYINR (Feb)	57.27	57.36	57.50	57.60	57.74

Key Parameters

Major Currency Pairs

Currencies	Close	Pvs. Close	% Change
DXY	102.40	102.40	0.00%
US\$INR	82.89	82.92	-0.04%
EURUSD	1.0950	1.0951	-0.01%
EURINR	90.73	90.91	-0.20%
GBPUSD	1.2727	1.2753	-0.20%
GBPINR	105.48	105.74	-0.25%

10 year government - Global Bonds Yields

Country	Close	Pvs. Close	Change
India	7.151	7.179	-0.028
US	3.939	3.939	0
Germany	2.233	2.184	0.049
UK	3.797	3.793	0.004
Japan	0.570	0.607	-0.037

US Crude Stocks Change (Barrels)

Release Date	Time (IST)	Actual	Forecast
1/10/2024	9:00 PM	1.3M	-0.2M
1/4/2024	9:00 PM	-5.5M	-3.2M
12/28/2023	9:00 PM	-7.1M	-2.7M
12/20/2023	9:00 PM	2.9M	-2.3M
12/13/2023	9:00 PM	-4.3M	-1.9M
12/6/2023	9:00 PM	-4.6M	-1.3M
11/29/2023	9:00 PM	1.6M	-0.1M

LME Warehouse Stocks (Tonnes)

Commodity	Current Stock	Change in Stock	% Change
Copper	155025	-800	-0.51%
Aluminium	558550	-25	0.00%
Zinc	209200	-1675	-0.79%
Lead	119050	-600	-0.50%
Nickel	69012	-96	-0.14%

Economic Calendar

Date & Time (IST)	Country	Data & Events	Actual	Expected	Previous	Impact
Monday, January 15, 2024						
3:30 PM	Europe	Industrial Production m/m	-0.30%	-0.30%	-0.70%	Medium
Tuesday, January 15, 2024						
12:30 PM	UK	Claimant Count Change		18.1k	16.0k	High
12:30 PM	UK	Average Earnings Index 3m/y		6.9%	7.2%	Medium
3:30 PM	Europe	German ZEW Economic Sentiment		12	13	Medium
7:00 PM	US	Empire State Manufacturing Index		-4.9	-14.5	High
Wednesday, January 16, 2024						
7:30 AM	China	GDP q/y		5.2%	4.9%	High
7:30 AM	China	Industrial Production y/y		6.8%	6.6%	High
12:30 PM	UK	CPI y/y		3.80%	3.90%	High
3:30 PM	Europe	Final CPI y/y		2.9%	2.9%	High
7:00 AM	US	Retail Sales m/m		0.4%	0.3%	High
7:45 AM	US	Industrial Production m/m		-0.1%	0.2%	Medium
Thursday, January 17, 2024						
7:00 PM	US	Building Permits		1.47M	1.47M	Medium
7:00 PM	US	Unemployment Claims		204k	202k	Medium
7:00 PM	US	Philly Fed Manufacturing Index		-6.9	-10.5	Medium
9:30 PM	US	Crude Oil Inventories			1.3M	Medium
Friday, January 18, 2024						
12:30 AM	UK	Retail Sales m/m		-0.5%	1.3%	High
8:30 PM	US	Prelim UoM Consumer Sentiment		69.30	69.70	High
8:30 PM	US	Existing Home Sales		3.83M	3.82M	Medium
8:30 PM	US	Prelim UoM Inflation Expectations		-	3.1%	Medium

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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