

December 1, 2021

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# Monthly Commodities Outlook

Gold prices to rise towards ₹ 49500 amid safe haven demand...

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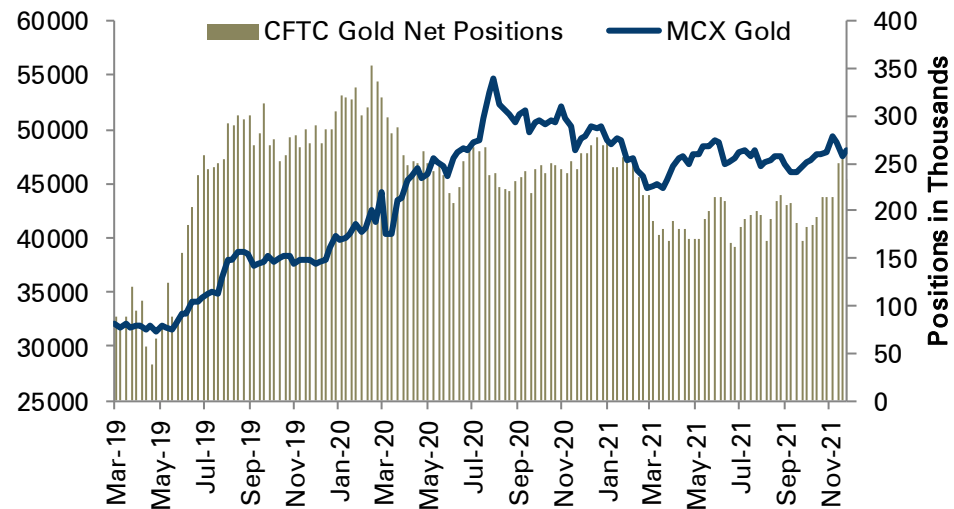
## Gold Strategy

### Buy Gold

Buy Gold mini January future around ₹ 47600-47700, Target: ₹ 49500, Stop loss: ₹ 46900, Time frame: Till expiry

### Rationale:

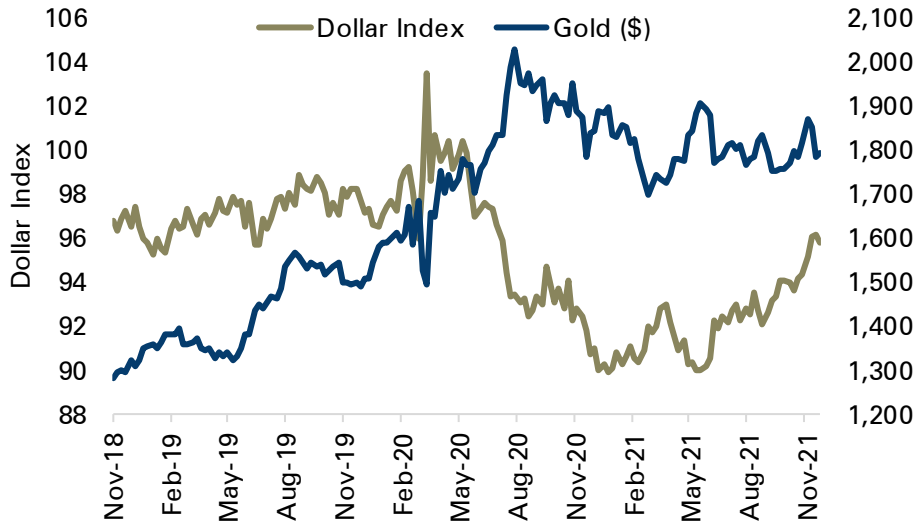
Gold prices rallied initially last month as inflation worries pushed investors to the safe haven metal, even as a stronger dollar made bullion expensive for holders of other currencies. Later, prices fell sharply in the second half, with expectations that US interest rates will rise next year, shored up by the re-nomination of Federal Reserve Chairman Jerome Powell. However, fresh concerns over the impact of the possibly vaccine-resistant Omicron Coronavirus variant supported the precious metal's safe haven appeal. MCX gold prices have an immediate support around ₹ 46900 level. As long as they sustain above this level we may see a rally towards ₹ 49500 level.



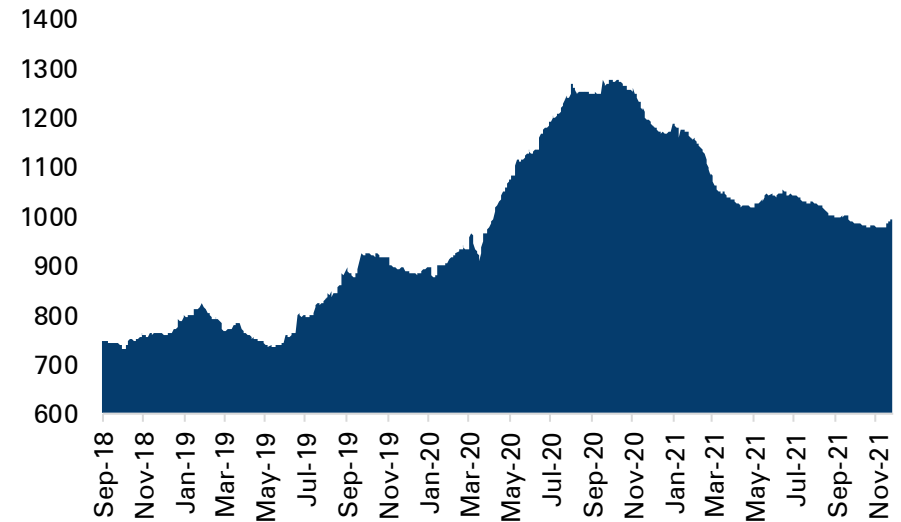
Source: Bloomberg, Reuters, ICICI Direct Research

# Gold: Expected to rise towards ₹ 49500 amid safe haven demand...

## International Spot Gold vs. Dollar Index



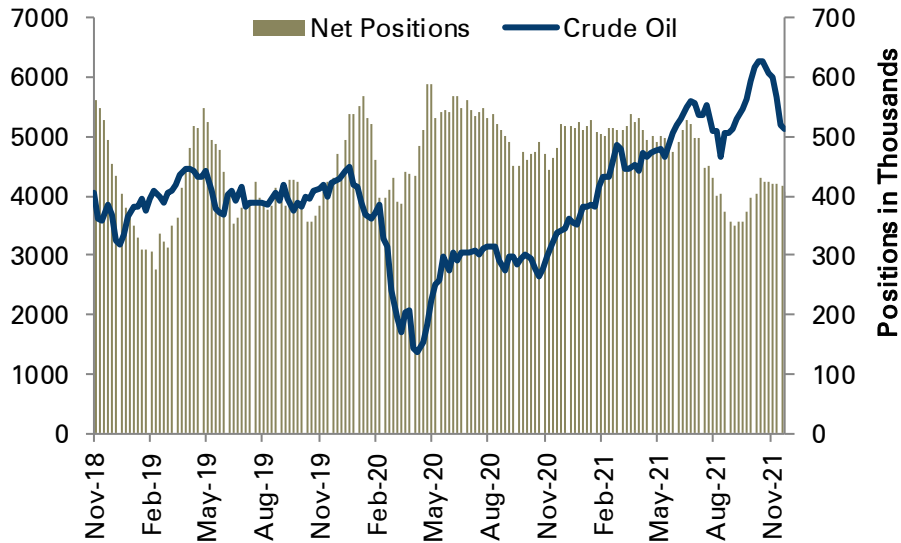
## SPDR Gold Holdings (Tonnes)



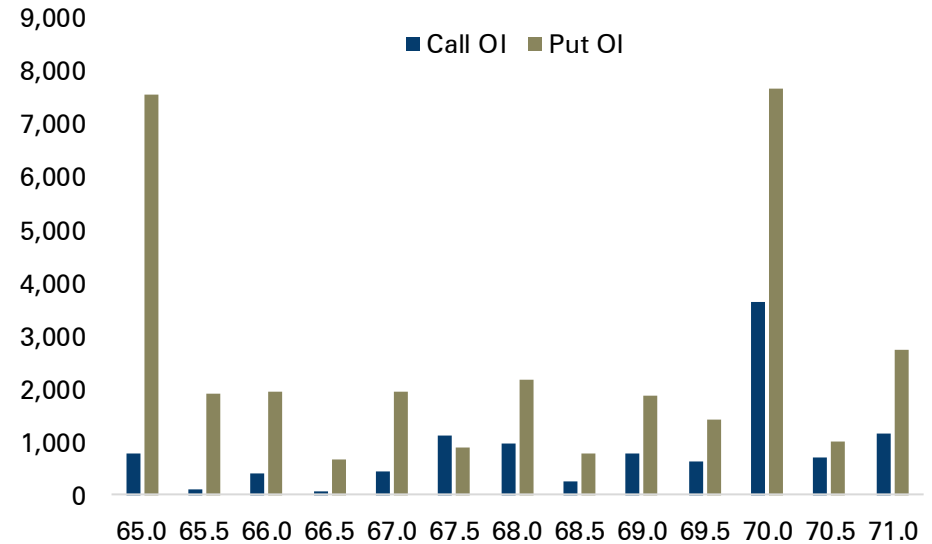
- Gold prices gained in the first half of last month as inflation worries boosted demand for the safe haven metal, even as the US dollar held near multi-month highs on rising bets on an early hike in interest rates in the US
- However, prices fell sharply in the second half after Federal Reserve Chair Jerome Powell was nominated for a second term, driving expectations that the central bank may stay the course on tapering economic support. The Fed began phasing out its bond-buying last month and expects to end purchases altogether by mid-2022. Its next policy-setting meeting is in mid-December
- Recently, prices jumped as concerns over the impact of the possibly vaccine-resistant Omicron Coronavirus variant supported the precious metal's safe-haven appeal. Indicative of sentiment, SPDR Gold Trust, the world's largest gold-backed exchange-traded fund's holdings rose to 992.85 tonnes from 975.41 tonnes earlier last month
- MCX gold prices have an immediate support around ₹ 46900 level. As long as they sustain above this level we may see a rally towards ₹ 49500 level. As silver moves in tandem with gold, it also closely follows its industrial applications, which is likely to trade within the range of ₹ 61000-66000 for the coming month

# Crude oil: Likely to fall further towards ₹ 4600..

## MCX Crude Oil vs. CFTC Crude Oil net positions



## Nymex Crude Oil options build-up

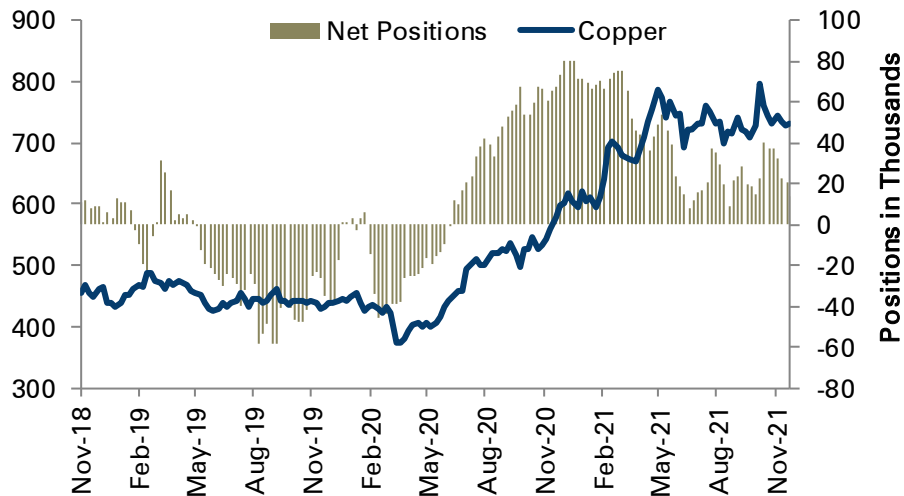


- Oil prices started last month on a corrective mode, after Opec and the International Energy Agency warned of impending oversupply, while rising Covid-19 cases in Europe increased downside risks to demand recovery
- Meanwhile, the US said it would release millions of barrels of oil from strategic reserves in coordination with China, India, South Korea, Japan and Britain, to try to cool prices after Opec+ producers repeatedly ignored calls for more crude. President Joe Biden's administration said it would release 50 million barrels from the US Strategic Petroleum Reserve (SPR), which will start hitting the market in mid to late December
- Further, prices plunged sharply after a new variant of the Coronavirus spooked investors and added to concerns that a supply surplus could swell in the first quarter. Prices remained on course for further selling after Moderna's chief warned on the efficacy of Covid-19 vaccines against the Omicron Coronavirus variant, spooking financial markets and adding to worries about oil demand
- Overall, MCX crude prices have an immediate resistance around ₹ 5500 level. As long as it sustains below this level, it is expected to continue this fall towards its immediate support around ₹ 4600 level in the short-term

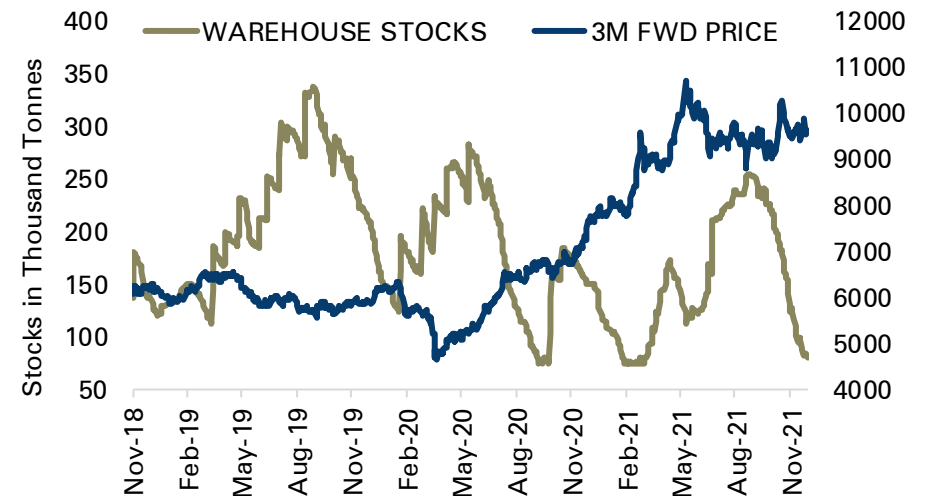
# Copper: To trade within range of ₹ 710-750 levels...

- Copper prices fell sharply in the first half of last month as expectations of US interest rate hikes lifted the dollar to 16-month highs, making metals priced in the greenback costlier for buyers in other currencies. Prices came under further pressure after US Federal Reserve Chair Jerome Powell was nominated for a second term, reinforcing investor expectations for higher interest rates in 2022
- However, the downside was limited and prices recovered in the second half as tight supplies along with easing concerns about Chinese demand lent the metal some support. China is keeping the liquidity reasonably ample to reduce funding costs, especially for small firms, in a bid to support the slowing economy, while some Chinese banks have been told to issue more loans to property firms for project development. Copper inventories, at least those in warehouses that publish data, are so low that traders are paying large premiums to get their hands on the metal
- Recently, prices came under pressure due to worries about the Omicron Coronavirus variant and its impact on demand and growth but above consensus manufacturing data from top consumer China and low stocks limited the losses. Overall, we expect copper prices to trade within the range of ₹ 710-750 levels in the coming weeks

### MCX Copper vs. CFTC Copper net positions



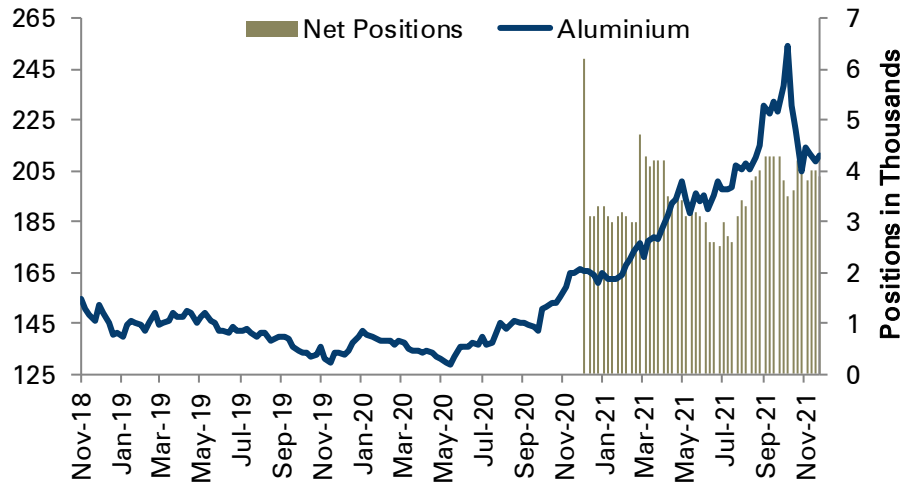
### LME Copper 3M FWD vs. Warehouse Stocks



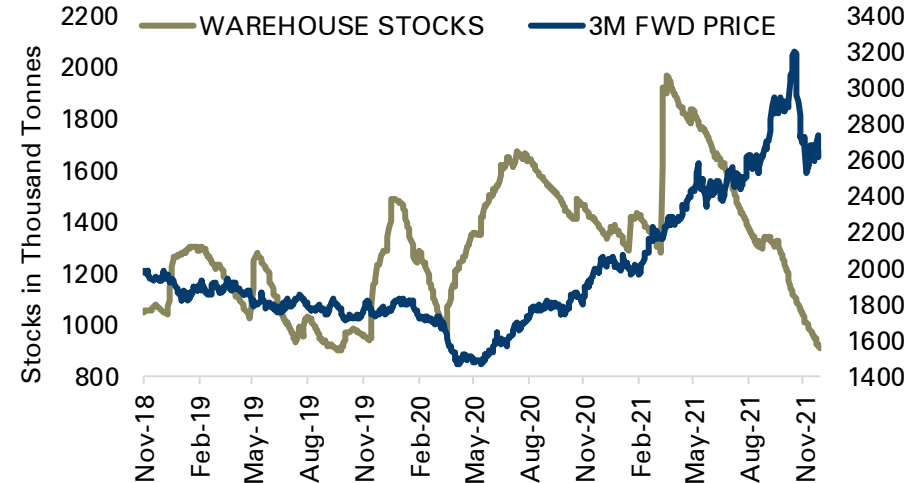
# Aluminium: To consolidate in the range of ₹ 200-220 levels...

- Aluminium prices started last month by falling sharply as China said its coal output had shot up and would continue to rise, helping to ease a power crisis that has forced smelters to reduce production. China's daily coal output hit a record for the year amid a raft of measures to ramp up production, the country's state planner said
- China produces more than half the world's aluminium and has been restricting electricity consumption of highly energy-intensive sectors to reduce carbon emissions and reserve electricity for residents ahead of the winter
- Further, expectations that Russia will remove taxes on aluminium exports and boost global supplies have also triggered an inventory sell-off, slashing prices in the physical market in Europe and the US
- However, prices took strong support recently as an explosion at a smelter in China fuelled fears about tighter supplies while concerns about shortages and low inventories also boosted prices. Aluminium stocks in LME-registered warehouses were at about half the levels seen in March
- Overall, we believe aluminium prices should continue to trade within the range of ₹ 200-220 levels in the coming month

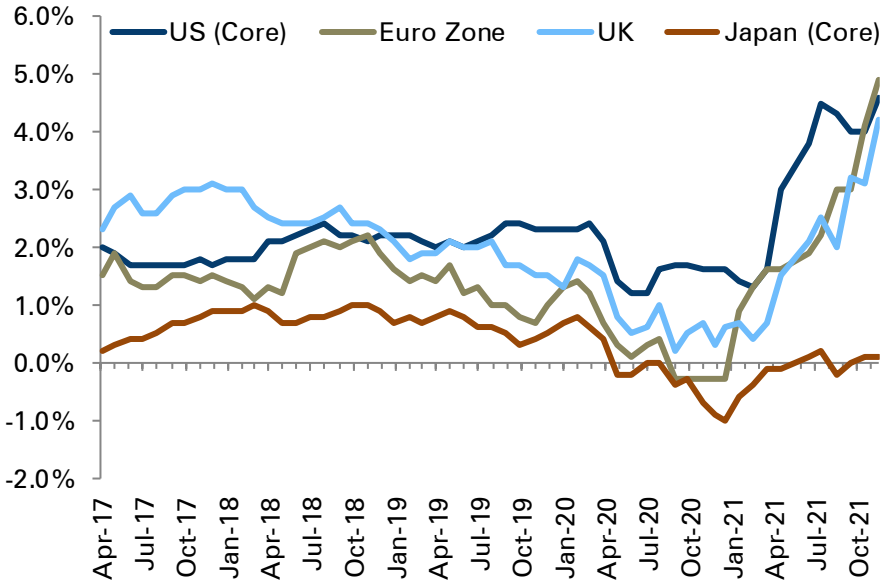
### MCX Aluminium vs. CFTC Aluminium net positions



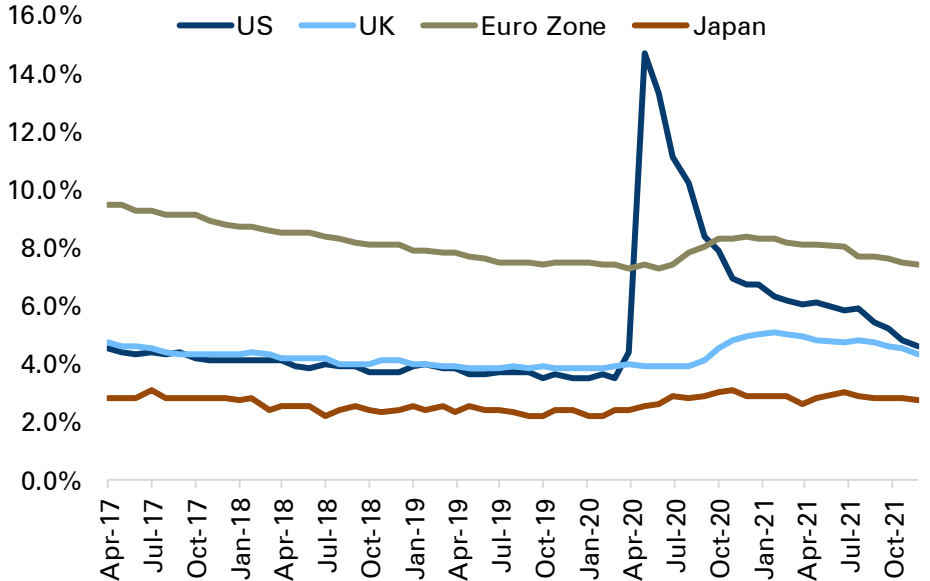
### LME Aluminium 3M forward vs. Warehouse Stocks



## CPI (YoY)



## Unemployment Rate



Source: Bloomberg, Reuters, ICICI Direct Research

# Economic Calendar

Date & Time (IST)	Country	Data & Events	Forecast	Previous	Date & Time (IST)	Country	Data & Events	Forecast	Previous
Wednesday, December 1, 2021					Friday, December 10, 2021				
7:15 AM	China	Caixin Manufacturing PMI (Nov)	50.5	50.6	7:00 PM	US	Core CPI (MoM) (Nov)	0.4%	0.6%
6:45 PM	US	ADP Nonfarm Employment Change (Nov)	525K	571K	Tuesday, December 14, 2021				
8:30 PM	US	Fed Chair Powell Testifies			7:00 PM	US	PPI (MoM) (Nov)	0.6%	0.6%
8:30 PM	US	ISM Manufacturing PMI (Nov)	61	60.8	Wednesday, December 15, 2021				
9:00 PM	US	Crude Oil Inventories	-1.667M	1.017M	7:30 AM	China	Industrial Production (YoY) (Nov)	3.0%	3.5%
Thursday, December 2, 2021					7:00 PM	US	Core Retail Sales (MoM) (Nov)	1.0%	1.7%
7:00 PM	US	Initial Jobless Claims	240K	199K	7:00 PM	US	Retail Sales (MoM) (Nov)	1.4%	1.7%
Friday, December 3, 2021					12:30 AM	US	FOMC Economic Projections		
7:00 PM	US	Nonfarm Payrolls (Nov)	550K	531K	12:30 AM	US	FOMC Statement		
7:00 PM	US	Unemployment Rate (Nov)	4.5%	4.6%	1:00 AM	US	FOMC Press Conference		
8:30 PM	US	ISM Non-Manufacturing PMI (Nov)	65	66.7	Thursday, December 16, 2021				
Wednesday, December 8, 2021					7:00 PM	US	Building Permits (Nov)	1.638M	1.653M
8:30 PM	US	JOLTs Job Openings (Oct)		10.438M	7:00 PM	US	Philadelphia Fed Manufacturing Index (Dec)	24	39





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## ANALYST CERTIFICATION

I/We, Raj Deepak Singh BE, MBA (Finance), Mohit Agarwal BSc, MBA (Finance), authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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