

# Commodity Morning View

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# Market switch focus to US FOMC

## Key Points

- Gold Silver edges higher
- The Geo-political development drives precious metals
- US Dollar hits four months low
- Base metals trades in contango at LME
- Crude oil rises as US production hit by Arctic blasts

### Events to Watch

Date	Region	Event	Time	Prior	Surv(M)
29-Jan	US	FOMC Rate Decision (Upper Bound)	00:30	3.75%	3.75%
29-Jan	US	FOMC Rate Decision (Lower Bound)	00:30	3.50%	3.50%
29-Jan	US	Fed Interest on Reserve Balances Rate	00:30	3.65%	3.65%

## Macro

- The focus today turns to the Fed meeting. The Fed is expected to leave the Fed funds target range unchanged at 3.50-3.75%. The focus will be Fed Chair Jerome Powell's press conference and guidance on the timing for the next Fed rate cut. The Fed funds futures are only fully pricing in the first rate cut in July 2026. They are pricing in a total cut of 49bp by year-end and no change in 2027.
- The DJIA fell 0.8% while the S&P500 and the Nasdaq Composite Index rose 0.4% and 0.9% respectively. The Eurostoxx 50 rose 0.6%. The Dollar Index fell 0.9% to 96.22, approaching its lowest level since February 2022. EUR-USD rose above the psychological 1.20 level for the first time since June 2021.
- The US 2Y yield dipped 2bp to 3.57% and the 10Y yield rose 3bp to 4.24%. The German 10Y yield edged up 1bp to 2.88%. The UK 10Y yield rose 3bp to 4.53%. Brent crude oil prices jumped 3.0% to USD67.57. Gold rallied 3.4% to USD5,180.
- The US dollar sank to a near four-year low of 95.80 against the major currencies on Tue, as traders kept watch for possible coordinated currency intervention by US and Japanese authorities and following comments from Trump, US President Donald Trump said he was not concerned with the currency's decline. Positive for Gold/silver
- The finalized EU-India trade deal creates a free trade zone covering a quarter of global GDP and two billion people after nearly 20 years of negotiations. It aims to open markets amidst US tariffs and Chinese controls, with the EU expecting exports to India to double by 2032. Sentimentally positive for broader market.
- The ADP reported that US private employers added an average of 7,750 jobs per week (four-week moving average, seasonally adjusted) for the four weeks ending 3 Jan. Job gains have edged down for a third consecutive week from 8,000 the prior week and 11,000 two weeks earlier.
- Data watch: US Fed rate decision.

## Base metals

- The weakness in Dollar index, the ongoing fear of Iran-US clash, that could lead to supply chain disruption due to fear of blockade of strait of Hormuz which remains the major shipping route remains the major reason for metals to stay elevated.
- LME Spot copper contracts swung sharply, trading at a discount of as much as \$92.34 a ton to the LME's three-month benchmark after commanding a \$123.50-a-ton premium on Tuesday. A key one-day spread also continued to loosen dramatically, unwinding one of the largest spikes on record earlier this week.
- Readily available copper inventories have been inching higher throughout this week's squeeze, last week inventories surged 7.6% following sizable inflows into Shfe US and Asia. Base metal inventories across global warehouses over the past two months. The latest Shanghai weekly data highlighted a broad, week on week increase in metal stockpiles. At the same time, China's December industrial production remained resilient: copper output grew 9% y/y to 1.326 million tons, lead production rose 5.3% to 719,000 tons, zinc output increased 11% to 675,000 tons, and alumina output expanded 6.7% to 8 million tons. In contrast, crude iron ore production declined 4.4% y/y to 79.35 million tons.
- These developments point to muted near term base metal demand, as copper, zinc, lead, and aluminium remain in contango, reflecting oversupply and soft physical consumption. Temporary inventory restocking ahead of China's Lunar New Year may offer brief support, but broader demand stays weak amid slowing global manufacturing and elevated stock levels. While short term positioning could trigger modest price upticks, underlying conditions suggest continued oversupply, restrained demand, and a cautious outlook for base metals in the coming months.

### Base Metals Monitor

Exchange	Commodity	Expiry	27-Jan-26	Daily Change	Daily % Change	26-Jan-26
LMEX	LMEX	-	5455	-45	-0.82%	5500
LME	Aluminium (\$)	-	3207	19	0.60%	3188
LME	Copper (\$)	-	13006	-193	-1.46%	13199
LME	Lead (\$)	-	2020	-18	-0.88%	2038
LME	Nickel (\$)	-	18169	203	1.13%	17966
LME	Zinc (\$)	-	3351	9	0.27%	3342
MCX	Aluminium	Feb	318.95	0.15	0.05%	318.8
MCX	Copper	Feb	1309	-9	-0.68%	1318
MCX	Lead	Feb	191.25	1.25	0.66%	190
MCX	Nickel	Feb	1332	0	0.00%	1332
MCX	Zinc	Feb	324	8	2.53%	316

### Outlook:

Metals are trading higher on a softer dollar, though Chinese demand remains subdued. Short term support may stem from supply concerns in copper, steel sector capacity shutdowns, and rising aluminium substitution demand. These factors could offer temporary strength despite overall tepid consumption trends.

## Bullions

### Bullion Daily Change

Exchange	Commodity	Expiry	27-Jan-26	Daily Change	Daily % Change
Comex	Gold (\$)	Spot	5180	172	3.43%
Comex	Silver (\$)	Spot	112	8.22	7.92%
MCX	Gold	April	168200	12237	7.85%
MCX	Silver	Mar	355800	21200	6.34%
Ratio	Goldsilver ratio	-	46.25	-2.01	-4.16%
Rupee	USDINR	-	91.600	0.00	0.00%
Dxy	Dollar Index	-	96.21	-0.83	-0.86%
Bond	US-10 T.Yield	-	4.24	0.03	0.71%

- Gold climbed to a record above \$5,100/oz, rising as much as 3.6% to \$5,190 as geopolitical risks and a flight from bonds and currencies extended its six session rally and a weaker dollar followed President Donald Trump's remarks; silver held near a peak after a 9% jump, with YTD gains near 20% for gold and 50%+ for silver.
- USD fell over 1%, reaching its lowest level in nearly four years after former President Donald Trump expressed indifference to the currency's decline. DXY hit a low of 95.953. Trump's comments suggest potential efforts to depreciate the dollar compared to major currencies.

### Outlook:

We upgrade our full year target for gold prices to \$6000 for 2026, as the geo-political development possess a greater economic and currency debasement risk, while silver rally is somewhat showing sign of exhaustion and may not look sustainable in long run, but gold will outperform silver this year.

Gold: Support at \$5050. Resistance is at \$5300.

Silver: Support at \$105; Resistance at \$125.

## Energy

### Energy Price Monitor

Exchange	Commodity	Expiry	27-Jan-26	Change	Daily % Change	26-Jan-26
Nymex	Crude (\$)	March	62.39	1.76	2.90%	60.63
Nymex	Natural gas (\$)	Feb	6.95	0.15	2.21%	6.8
MCX	Crude	Feb	5709	93.00	1.66%	5616
MCX	Natural gas	FeB	352	25.00	7.65%	327

- Oil hovered near a 16-week high as the dollar slumped and traders monitored US President Donald Trump's threats against Iran, with WTI around \$63 after a 2.9% jump to the highest since early October, while a dollar gauge hit a near four-year low after Trump said he wasn't concerned about US currency weakness.

- The natural gas demand will remain stronger due to ongoing Arctic blast in US& CANADA, while inventories have depleted sharply, and due to higher demand, inventories repletion gets prolonged. We expect the Feb contract of Nat gas at MCX to test resistance of Rs 400.

### Outlook:

The energy index is likely to remain supported by a softer USD and reduced US output caused by the Arctic blast, which has cut production by an estimated 5–9 mb. Softer dollar conditions and improving risk sentiment may keep oil prices firm in the near term, encouraging buy on dip strategies. In the short run, WTI is expected to trade within a \$59–\$65 range. However, the longer term outlook is bearish, with prices projected to decline toward \$52/bbl, within a broader \$48–\$65 range.

### Daily Price Monitor

Exchange	Commodity	Expiry	Daily trading range	Trend
MCX	<b>Aluminium</b>	Feb	310-322	Sell on rise
MCX	<b>Copper</b>	Feb	1285-1330	Sell on rise
MCX	<b>Lead</b>	Feb	188-201	Sell on rise
MCX	<b>Nickel</b>	Feb	2200-308	Sell on rise
MCX	<b>Zinc</b>	Feb	314-330	Sell on rise
MCX	<b>Gold</b>	Apr	165000-178000	Buy on dips
MCX	<b>Silver</b>	Mar	345000-395000	Buy on dips
MCX	<b>Crude</b>	Feb	5635-5800	Buy on dips
MCX	<b>Natural gas</b>	Feb	320-450	Buy on dips
Comex	<b>Gold</b>	Spot	\$5050-\$5250	Buy on dips
Comex	<b>Silver</b>	Spot	\$105-\$121	Buy on dips
Nymex	<b>Crude oil</b>	Mar	\$59-\$64	Buy on dips

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