

# Commodity Morning View

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# US-Iran Talks in focus

## Key Points

- US-Iran diplomats to hold talks in Muscat at 11.30 IST
- Silver wipes out 50% of its value from its highs
- US Tech sell off triggers further pressure on precious metals
- ECB and BOE keeps rate unchanged
- Base metals retreats on demand worries

### Events to Watch

Date	Region	Event	Time	Prior	Surv(M)
06-Feb	GE	Industrial Production SA MoM	12:30	0.80%	-0.40%
06-Feb	GE	Industrial Production WDA YoY	12:30	0.80%	1.90%
06-Feb	US	Change in Nonfarm Payrolls	19:00	50k	68k
06-Feb	US	Average Hourly Earnings MoM	19:00	0.30%	0.30%
06-Feb	US	Unemployment Rate	19:00	4.40%	4.40%
06-Feb	US	U. of Mich. Sentiment	20:30	56.4	55

## Macro

- The DJIA, the S&P500, and the Nasdaq Composite Index fell 1.2%, 1.2%, and 1.6% respectively. The Eurostoxx 50 fell 0.8%. The Dollar Index gained 0.2% to 97.82. EUR-USD slipped 30 pips to 1.1780.
- The US 2Y yield slumped 10bp to 3.45% and the 10Y yield fell over 9bp to 4.18%. The German 10Y yield fell 2bp to 2.84%. The UK 10Y yield edged up 1bp to 4.56%.
- Brent crude oil prices fell 2.8% to USD67.55. Gold fell 3.7% to USD4,779. Silver plunged nearly 20% to USD70.92. Silver has wiped out all its gains this year and is down 1%, while gold is still up 10% year-to-date.
- ECB held interest rates steady at its first 2026 meeting, with the main rate at 2.15%. It views eurozone inflation stabilizing at 2% amid geopolitical risks. President Lagarde noted the inflation outlook is stable but warned against reacting to individual data points due to increased uncertainty.
- US job openings fell by 386,000 to 6.542 million in December 2025, the lowest since September 2020, below the forecast of 7.2 million. Declines occurred in professional services, retail, and finance across all regions. Hires and separations stayed at 5.3 million, with minimal change in quits and layoffs. Positive for Gold
- Japan's household spending fell 2.6% year-on-year in December 2025, below expectations for stable figures, following a 2.9% decline the previous month. Monthly spending dropped 2.9%, missing forecasts of a 1.3% decrease, reversing November's sharp 6.2% rise.
- Bank of England maintained the Bank Rate at 3.75% in February with a close 5-4 vote. Inflation is above 2% but expected to decline by April. Economic and labour market weaknesses persist, and further rate cuts may depend on new inflation data.

- US initial jobless claims rose by 22,000 to 231,000, exceeding expectations. Continuing claims increased by 25,000 to 1,844,000 due to winter storm disruptions. Federal claims fell by 230 to 568 amid shutdown impacts. Positive for Gold
- Data watch: Market would keep eyes on the development US-Iran talks in Oman, followed by German factory order data and US to see prelim University of Michigan consumer sentiment index for Feb (Bloomberg est. 55.0 from 56.4 in Jan).

## Base metals

- The tech sell-off led to broader sell-off in base metals on Thursday Copper extended losses as investors focused on rising inventories and waning appetite from Chinese buyers, even after some dip-buying emerged earlier this week. Industrial metals also followed a plunge in silver, which was down nearly 20% as it struggled to find a price floor following a historic market rout.
- The decline followed a 3.2% slump in the previous session as fresh signs emerged of demand softness in the Chinese spot market, while stockpiles in London Metal Exchange warehouses in Asia jumped. Rising inventories suggest that traders diverted supplies bound for the US into LME warehouses after US price premiums disappeared.
- The metal market is moving in step with equities and other risk assets, diverging from demand–supply fundamentals. Geopolitical tensions offer short term support, but broader conditions signal a likely price correction in early 2026.
- China’s slowdown—marked by weak real estate activity, softer manufacturing, and declining domestic demand—is adding downward pressure. Despite moments of speculative buying, structural weaknesses persist, suggesting continued volatility and rising downside risks for metals in the coming months for both producers and global investors.

### Base Metals Monitor

Exchange	Commodity	Expiry	5-Feb-26	Daily Change	Daily % Change	4-Feb-26
LMEX	LMEX	-	5272	-71	-1.33%	5343
LME	Aluminium (\$)	-	3027	-42	-1.37%	3069
LME	Copper (\$)	-	12903	-141	-1.08%	13044
LME	Lead (\$)	-	1955	-11	-0.56%	1966
LME	Nickel (\$)	-	17071	-308	-1.77%	17379
LME	Zinc (\$)	-	3302	-7	-0.21%	3309
MCX	Aluminium	Feb	308.25	-0.745	-0.24%	308.995
MCX	Copper	Feb	1229	-14.9	-1.20%	1243.9
MCX	Lead	Feb	189.4	-1.2	-0.63%	190.6
MCX	Nickel	Feb	1316	-16	-1.20%	1332
MCX	Zinc	Feb	320.45	-1.85	-0.57%	322.3

**Outlook:**

Base metals are beginning to realign with fundamentals as the broader sell off clears excess speculation and brings prices closer to true demand supply dynamics. Although China—responsible for nearly half of global industrial metal consumption—saw activity improve in January, and the recent sharp price drop spurred some pre Lunar New Year buying, overall demand remains weak. Supply still outpaces consumption, highlighting persistent market softness. Consequently, we expect base metal prices to decline by around 5–7% in the first quarter of 2026. For now, the outlook on metals remains bearish.

## Bullions

**Bullion Daily Change**

Exchange	Commodity	Expiry	5-Feb-26	Daily Change	Daily % Change
Comex	<b>Gold (\$)</b>	Spot	4779.05	-184.95	-3.73%
Comex	<b>Silver (\$)</b>	Spot	70.91	-17.26	-19.58%
MCX	<b>Gold</b>	April	151900	-1490	-0.97%
MCX	<b>Silver</b>	Mar	246452	-24097	-8.91%
Ratio	<b>Goldsilver ratio</b>	-	67.40	11.10	19.71%
Rupee	<b>USDINR</b>	-	90.330	-1.16	-1.27%
Dxy	<b>Dollar Index</b>	-	97.82	0.21	0.22%
Bond	<b>US-10 T.Yield</b>	-	4.18	-0.09	-2.11%

- Silver extended losses after a 20% plunge, struggling to find a floor amid a historic rout; spot fell below \$70 in early trade, more than 40% off the 29 Jan peak and erasing year-to-date gains in the worst turmoil since 1980, while gold was little changed.

**Outlook:**

Gold is expected to retain a geopolitical risk premium, though its upside could soften if broader market risk appetite continues. We have raised our 2026 full year gold target to \$6,000, reflecting heightened geopolitical and currency debasement risks.

**Key Levels:**

- **Gold:** Support at \$4,450; resistance at \$4,950
- **Silver:** Support at \$57; resistance at \$85

## Energy

**Energy Price Monitor**

Exchange	Commodity	Expiry	5-Feb-26	Change	Daily % Change	4-Feb-26
Nymex	<b>Crude (\$)</b>	March	63.29	-1.85	-2.84%	65.14
Nymex	<b>Natural gas (\$)</b>	Feb	3.5	0.04	1.16%	3.46
MCX	<b>Crude</b>	Feb	5736	-156.00	-2.65%	5892
MCX	<b>Natural gas</b>	Feb	317.5	3.50	1.11%	314

- Oil extended its largest one-day drop in three weeks as planned Iran-US talks eased conflict risk, with WTI below \$63 after Thursday's 2.8% slide and Brent under \$68; futures fell after President Trump said Iran was negotiating, then partly recovered as Saudi Arabia cut Asia prices less than expected, signaling confidence in demand. The London Brent oil futures ended the day down by US\$1.91 (-2.7%) to settle at US\$ 67.55/bbl., while the NY WTI was lower by US\$1.85 (-2.8%) at US\$ 63.29/bbl.
- Meanwhile, EIA reported that US crude inventories fell by 3.46 million barrels last week while output in the Lower 48 dropped to the lowest since Nov 2024 as freezing temperatures disrupted drilling. In comparison, gasoline inventory jumped.
- US Natural gas inventories saw a larger decline which was expected due to the prevailing arctic blast condition in last week, which saw higher demand, however the present forecast showed a milder weather conditions ahead, that could see prices remaining under pressure. We continue to hold bearish stance on NG as prices could see Rs 280 level at MCX.

**Outlook:**

The US-Iran talks in Oman may introduce volatility to oil prices, as the outcome could influence geopolitical risk. Although the discussions are unlikely to produce meaningful progress, limited results could heighten the risk of US military action, potentially triggering a sharp upswing in oil prices. If Iran accepts US conditions, some moderation in prices is possible. For now, a softer diplomatic tone is limiting upward pressure and maintaining a generally bearish mood. However, any escalation in regional tensions could push WTI toward \$80. In the near term, prices are expected to trade within the \$58-\$75 range.

**Daily Price Monitor**

Exchange	Commodity	Expiry	Daily trading range	Trend
MCX	<b>Aluminium</b>	Feb	290-310	Sell on rise
MCX	<b>Copper</b>	Feb	1185-1250	Sell on rise
MCX	<b>Lead</b>	Feb	188-201	Sell on rise
MCX	<b>Nickel</b>	Feb	2200-2200	Sell on rise
MCX	<b>Zinc</b>	Feb	305-325	Sell on rise
MCX	<b>Gold</b>	Apr	146000-156000	Buy on dips
MCX	<b>Silver</b>	Mar	210000-260000	Sell on rise
MCX	<b>Crude</b>	Feb	5550-6000	Buy on dips
MCX	<b>Natural gas</b>	Feb	265-335	Sell on rise
Comex	<b>Gold</b>	Spot	\$4450-\$4950	Buy on dips
Comex	<b>Silver</b>	Spot	\$57-\$85	Sell on rise
Nymex	<b>Crude oil</b>	April	\$58-\$75	Buy on dips

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