

**Key developments:****Omicron Update**

- Global covid cases crossed the 10 million mark and the death toll recently jumped in the UK, as well as the US.
- On the same line are the concerns that the latest virus strain linked from France named IHU, which has both the characteristics of Omicron and Delta while showing the capacity to wider spread.
- It should, however, be noted that scientific studies keep the markets hopeful of overcoming the virus spread with lesser damages, health-wise, than the previous rounds of the virus spread.

**Macro highlights**

- Powell says economy can withstand Fed tightening, Omicron
- Powell sought to reassure investors the central bank can rein in inflation without damaging the U.S. economy
- US consumer prices reached a 40-year high in December at 7% y-o-y
- US Producers price index drops to 0.2% from previous release of 0.8%
- A weekly jobless claim rises to 230,000, marginally higher from previous release
- U.S. retail sales slid last month amid inflation, Omicron hits
- US Industrial production edges lower in December

MCX				
Commodity	Prev Close	Close	Change	% Change
Gold	47452	47820	368	0.77%
Silver	60607	61645	-275	-0.45%
Aluminium	230.80	235.10	4	1.83%
Copper	740.65	743.15	3	0.34%
Lead	186.40	190.00	4	1.89%
Nickel	1567.00	1636.90	70	4.27%
Zinc	287.80	288.30	1	0.17%
Crude Oil	5846	6213	367	5.91%
Naturalgas	292.00	315.20	23	7.36%

Commodity	View	Rationale	MCX Levels
<b>Gold</b>	Range bound to positive	Mildly hawkish approach of fed and not so impressive data from US supporting prices	R1- 48800;R2- 49300.S1- 47250;S2- 46800
<b>Silver</b>	Range bound to positive	US CPI printed at 7% year-on-year to the end of December	R1- 62700;R2- 63500.S1-59900;S2 -58800
<b>Aluminium</b>	Sideways to positive	Europe and China's power crunch sparks aluminium smelter meltdown	R1-238;R2-245.S1- 227;S2-218
<b>Copper</b>	Sideways to positive	Production decline in world's top mines	R1-758;R2-772.S1- 730;S2-720
<b>Lead</b>	Sideways to positive	Surging energy prices globally	R1-193;R2-197- 184;S2-178
<b>Nickel</b>	Sideways to positive	Emission control ahead of winter Olympics	R1-1655;R2-1670.S1- 1615;S2-1598
<b>Zinc</b>	Sideways to positive	Surging energy prices globally	R1-294;R2-300.S1- 284;S2-276
<b>Crude Oil</b>	Mildly Bullish	Fading lockdown concerns and falling inventories going to keep prices up	R1-6240;R2-6450.S1- 6040;S2-5900
<b>Naturalgas</b>	Mildly Bullish	Energy crises supportive for prices	R1-320;R2-340.S1- 300;S2-280



## BULLIONS

- Gold price ended the week marginally higher, up by almost 0.8% managed to settle at \$1,817.
- US CPI printed at 7% year-on-year to the end of December. The highest level since June 1982.
- US Nonfarm Payrolls disappointed markets with 199K figures for December versus 400K forecasts and 249K prior
- Harker said he sees the Fed starting to shrink its balance sheet “in late 2022 or early 2023” after the central bank has raised its target rate sufficiently, to around 1 per cent from near zero. The comments echoed that of Powell who said the Fed could start to shrink its balance sheet later this year at his confirmation hearing before the Senate Banking Committee.
- Goldman Sachs Group Inc cut its forecast for the China’s economic growth this year to 4.3% due to the increased difficulty of containing the more-contagious variant

### Outlook

Gold trend remains positive for short term on less hawkish tone from fed and not improving job market data. However for the week ahead all action will be in the currency ring due to absence of major data during the entire week, appreciating rupee may limit upside gains in bullions. Buying on dips is recommended in gold for the week ahead.

## CRUDE OIL

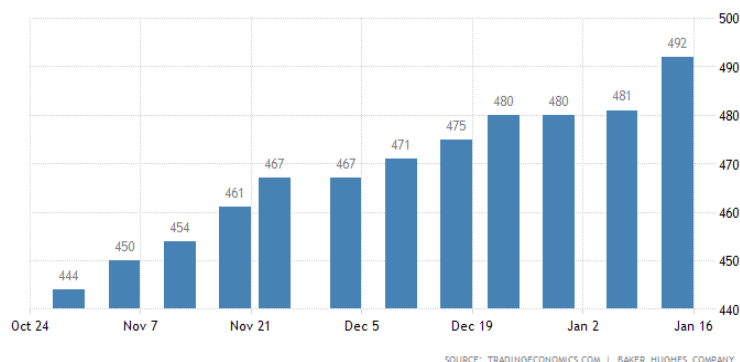
- WTI crude futures rose toward \$85 per barrel during last week, up by almost 6% due to the fact that omicron is not as serious as people had been concerned, and now it looks like OPEC+ continues to struggle to pump out enough oil.
- Oil prices are going to \$90 per barrel in the 2nd half of this year on the back of a 'triple deficit' for the commodity, Morgan Stanley says
- US Energy Information Administration upgraded its oil demand outlook. The agency is now predicting that demand in the country will rise by 840,000 barrels per day in 2022, higher than its previous 700,000 forecast.
- The International Energy Agency also said it expects oil demand to continue to be strong.

### Outlook

Crude oil continues to strengthen due to the fact that omicron is not as serious as people had been concerned, and now it looks like OPEC+ continues to struggle to pump out enough oil. However other risks that may challenge this outlook are Iranian oil exports constrained by US sanctions, the pace at which US shale ramps up, and the impact of the pandemic

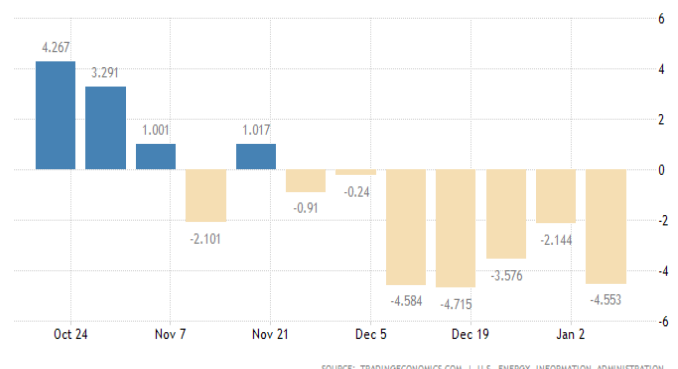
### US Rig Counts data (Baker Hughes)

The number of active drilling rigs in the United States rose by 13 this week, bringing the total rig count at 601, as oil prices keep to bull territory even as the fresh wave of Covid-19 cases brought by the new variant threatens to diminish demand. Last week's count compared with an unchanged rig count of 588 during the previous week. Oil production in the U.S. last week—the last week of 2021—fell 100,000 bpd back to 11.7 million bpd-EIA. This is up from 11 million bpd at the beginning of 2021. Despite last week's setback, U.S. production remains on an upward trend.



### EIA Crude Inventories

U.S. crude oil stockpiles fell more than expected to their lowest levels since October 2018, but gasoline inventories surged due to weak demand, the Energy Information Administration said on Wednesday. Crude inventories fell by 4.6 million barrels in the week to Jan. 7 to 413.3 million barrels, compared with expectations for a 1.9 million-barrel drop. U.S. crude inventories have dropped for seven consecutive weeks.





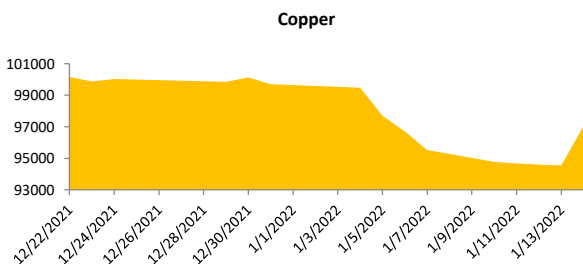
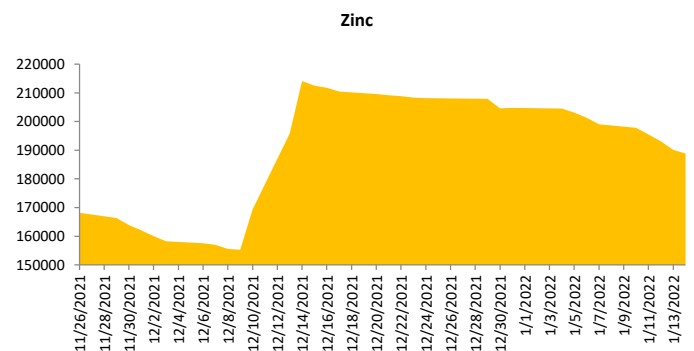
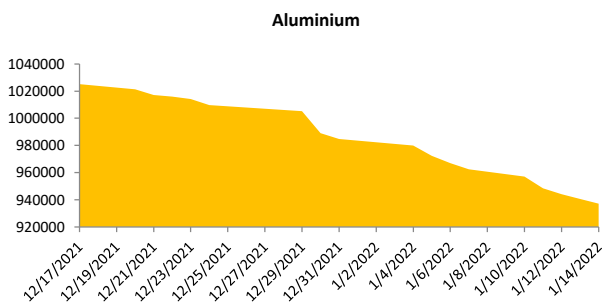
## BASE METALS

- Base metals traded on positive note during the week. Amongst the complex nickel being the best performer up by more than 4%, followed by Aluminium and Lead, both were up by more than 1.5% each.
- The government of Peru, one of the world's largest exporters of copper, ordered several mines to close in November 2021 amid environmental protests.
- Europe and China's power crunch sparks aluminium smelter meltdown. Four operators have announced curtailments totalling over half a million tonnes of annual production capacity, with others flexing output to mitigate power-load price spike.

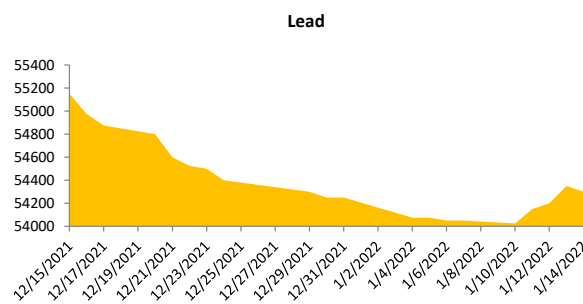
### Outlook

A combination of low investment, environmental resistance, and supply chain issues are set to send metals prices even higher. Declining inventories are also going to support the prices for the week ahead.

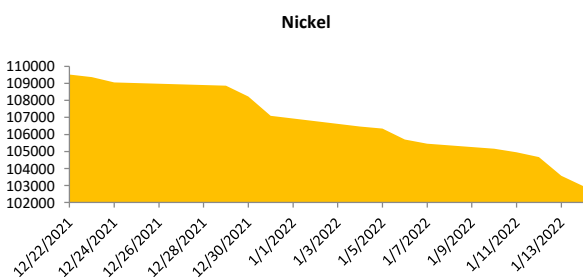
## Weekly LME Inventory Update:



LME INVENTORY CHANGES					
Metal	10-Jan	11-Jan	12-Jan	13-Jan	14-Jan
Day	Mon	Tue	Wed	Thu	Fri
Aluminium	-5374	-8650	-4325	-3525	-3450
Copper	-750	-100	-75	-50	2500
Lead	-25	125	50	150	-50
Nickel	-294	-210	-282	-1098	-618
Zinc	-1250	-2300	-2400	-2975	-1275
<b>Total</b>	<b>-7693</b>	<b>-11135</b>	<b>-7032</b>	<b>-7498</b>	<b>-2893</b>



LME INVENTORY DETAILS				
Metal	7-Jan	14-Jan	Change	Change
Day	Fri	Fri	Absolute	%
Aluminium	962425	937101	-25324	-2.70%
Copper	95525	97050	1525	1.57%
Lead	54049	54299	250	0.46%
Nickel	105457	102955	-2502	-2.43%
Zinc	199050	188850	-10200	-5.40%
<b>Total</b>	<b>1416506</b>	<b>1380255</b>	<b>-36251</b>	<b>-2.63%</b>





## Weekly Economic Events

## Economic Events 17/01/2022

Country	Currency	Time(IST)	Economic Events for the day	Previous	Forecast	Actual	Impact
			US Bank Holiday				

## Economic Events 18/01/2022

Country	Currency	Time(IST)	Economic Events for the day	Previous	Forecast	Actual	Impact
US	USD	7:00 PM	Empire State Manufacturing Index	31.9	25	-	Medium

## Economic Events 19/01/2022

Country	Currency	Time(IST)	Economic Events for the day	Previous	Forecast	Actual	Impact
US	USD	7:00 PM	Building Permits	1.71M	1.71M	-	Medium
US	USD	7:00 PM	Housing Starts	1.68M	1.65M	-	Medium

## Economic Events 20/01/2022

Country	Currency	Time(IST)	Economic Events for the day	Previous	Forecast	Actual	Impact
US	USD	7:00 PM	Philly Fed Manufacturing Index	15.4	19.9	-	Medium
US	USD	7:00 PM	Unemployment Claims	230K	221K	-	Medium
US	USD	8:30 PM	Existing Home Sales	6.46M	6.42M	-	Medium
US	USD	9:00 PM	Crude Oil Inventories			-	Medium

## Economic Events 21/01/2022

Country	Currency	Time(IST)	Economic Events for the day	Previous	Forecast	Actual	Impact
US	USD	8:30 PM	CB Leading Index m/m	1.1%	0.8%	-	Medium