

## Market News:

### **1. GULF: Here's the latest sign of just how huge of a risk Saudi Arabia has been taking**

According to The Wall Street Journal, the world's second-largest oil producer is looking for an \$8 billion loan from international banks. As The Journal reported, the country ran a record \$100 billion deficit in 2015, largely because of the sharp decline in oil prices.

Over the past few months, Saudi Arabia has adjusted to low oil prices by following a strategy that seems primarily aimed at avoiding production cuts.

Riyadh has implemented new taxes, cut funding for social programs, and prepared to sell off parts of Saudi Aramco, the country's multitrillion-dollar state oil concern. The moves are meant to cushion the long-term effects of lagging oil revenue without requiring any deeper cuts.

At the same time, this new fiscal strategy, along with Saudi Arabia's uniquely low break-even price for oil, allows the country to continue pumping at unprecedented rates. This approach preserves Saudi Arabia's leadership position in determining global production and price and cuts into the oil revenue of Iran, Riyadh's top regional foe — all without seeming to pose any kind of long-term threat to the country's bottom line.

The trouble is that oil is so cheap. And Saudi Arabia's various regional policies are so expensive that the country apparently needs an additional line of funding on top of its various tax increases and sell-offs. Saudi Arabia is looking to borrow substantial amounts of money for the first time in more than a decade, according to The Journal, because it's following a set of policies that require a measure of fiscal stability.

Right now, Saudi Arabia is leading a multinational Arab coalition that's attempting to restore Yemen's internationally recognized government, which Iranian-backed Houthi rebels overthrew in early 2015. The military effort has stalled and is widely considered to have been a strategic blunder.

Saudi Arabia was the world's largest arms importer in 2014 and had the world's third-largest defense budget in 2015. In February, Saudi Arabia held what was reported to be one of the

largest military exercises in the country's history. ISIS has attacked Saudi Arabia repeatedly over the past year, while Riyadh is also engaged in a high-stakes military and diplomatic face-off with Iran that's forced it to essentially purchase the loyalty of some of its allies.

Saudi Arabia is beginning to see the geopolitical limitations of its oil strategy.

The country can afford to produce at a level that's guaranteed to keep prices low. But the cost of covering the country's budgetary needs becomes steeper the longer oil remains in a price trough. And the costs become steeper the longer Saudi Arabia maintains such a confrontational regional stance — a strategy that might actually explain oil's low price in the first place.

### **Saudi Aramco still in talks with China to build joint refinery, says CEO**

State-owned Saudi Aramco is still in talks with China National Petroleum Corp (CNPC) to build a joint venture refinery in China, Asharq Al-Awsat daily reported on Wednesday, citing chief executive officer, Amin Nasser.

The Saudi oil giant is considering setting up a petrochemical complex at Ras Tanura refinery, to aggrandize profit margins as part of its high-yield target projects going forward, Nasser added on the sidelines of the fourth Manufacturing Industries Forum in Jubail.

In August, MEED reported that Saudi Aramco and Saudi Basic Industries Corp (SABIC) were planning a major petrochemical complex near its refinery in Ras Tanura.

The planned project is set to comprise several units that will provide output for other plants at the complex.

## **2. GOLD: Gold logs 3rd loss in a row; metal's future in ECB's hands**

Gold futures marked a third straight loss Wednesday as strength in oil prices and modest gains in U.S. stocks dulled the metal's investment appeal.

The metal's retrenchment comes a day ahead of what's expected to be additional monetary stimulus courtesy of the European Central Bank.

Gold for April delivery GCJ6, -0.76% shed \$5.50, or 0.4%, to settle at \$1,257.40 an ounce. It lost roughly 0.6% over the past two trading sessions. May silver SIK6, -0.69% fell 2.4 cents, or 0.2%, to \$15.366 an ounce.

"Gold's chart still looks bullish, but is overdue for a correction within the context of a bull market," said Michael Armbruster, principal and co-founder at Altavest.

Gold prices had finished last week at a 13-month high and posted a climb of more than 10% in February.

But U.S. stocks rose Wednesday as oil prices CLJ6, -0.39% rallied, drawing some investors away from gold.

Economists and investors are broadly looking for the ECB on Thursday to cut its deposit rate by at least 10 basis points and expand its asset-buying program in an effort to pump life into persistently below-target growth and inflation. Any decision that defies expectations could stir metals trading volatility.

“So far, this week, we have been in a ‘news vacuum’ of sorts that has left gold to bounce around as prices are largely being driven by trader positioning ahead of the ECB,” said Tyler Richey, co-editor of The 7:00’s Report.

He pointed out that the last big ECB meeting in December “spurred sharp, multi-percentage point moves in both the dollar and the euro,” which also “marked the beginning of this most recent upswing in gold.”

“So if the ECB underwhelms the market again like they did in December and the dollar spikes lower, then expect gold to extend its recent gains,” Richey said. “At the same time, if the ECB learned anything from December and has better managed market expectations, we could easily see a multi-percent correction in gold as futures still remain near-term overbought.”

On Wednesday, despite weakness in metals prices, shares of metals miners mostly followed the broader equities market higher. As gold futures settled, Randgold Resources GOLD, +0.66% was up 1.5% and Barrick Gold ABX, +2.70% added 2.3%. Newmont Mining NEM, +0.97% tacked on 1.1%.

The gold-backed SPDR Gold Trust GLD, -0.83% meanwhile, fell by 0.6%.

Read: Iron ore’s rocket rise isn’t sustainable, Goldman, others say

As for other metals, May copper HGK6, -0.04% added 1.1 cents, or 0.5%, to \$2.233 a pound. April platinum PLJ6, -0.69% lost \$6.60, or 0.7%, to \$982.80 an ounce, while June palladium PAM6, -0.44% settled down by 70 cents at \$566.15 an ounce.

### **3. Global market: U.S. Dollar Higher Ahead of ECB Meeting, NZD Tumbles**

#### **After RBNZ Eases**

The U.S. dollar was higher against the yen and euro during Asia trading on Thursday, ahead of the European Central Bank policy meeting later Thursday.

Meanwhile, the New Zealand dollar dove after New Zealand's central bank surprised with a rate cut.

The dollar was also higher against the euro, which declined to \$1.0977 from \$1.1005 late Wednesday. Against the yen, the common currency was at Y124.85 from Y124.82.

More broadly, the dollar advanced against its rivals. The WSJ Dollar Index, a measure of the dollar against a basket of major currencies, was up 0.16% at 88.84.

The greenback has found support from higher U.S. Treasury yields amid overnight gains in riskier assets, including stocks and oil. A brighter market sentiment persisted during the Asia session, with the Nikkei Stock Average recovering after three-day losing streak. The Nikkei Stock Average was recently 1.4%.

"We are now at the time to figure out the impact [from the ECB decision will have] on riskier assets globally," said Shinichiro Kadota, vice president of research at Barclays in Tokyo.

"Investors have already priced in 10 basis-point cut [in the ECB's deposit rate among other steps], so it's important to see what comments [ECB President Mario Draghi] will make about a future easing," said Mr. Kadota.

Economists expect the ECB to cut its deposit rate--the interest charged to banks to store funds with the central bank--by at least 0.1 percentage point, to minus 0.4%. They also expect an increase in its bond-purchase program of at least EUR10 billion a month to EUR70 billion.

In other currency trade pairs, the New Zealand dollar tumbled to \$0.6628 and Y75.38, respectively, from Y\$0.6787 and Y76.94, after New Zealand's central bank lowered the official cash rate by 0.25% to 2.25%, amid uncertainty about the global economic outlook.

"Further policy easing may be required to ensure that future average inflation settles near the middle of the target range," said RBNZ Governor Graeme Wheeler

#### **4. OIL: Crude prices drop, but market getting more optimistic over supply**

Crude prices weakened in early Asia trade Thursday on profit-taking after hitting a three-month high overnight, but market participants are increasingly bullish on expectations of shrinking global supply.

On the New York Mercantile Exchange, light, sweet crude futures for delivery in April CLJ6, -0.37% traded at \$38.26 a barrel, down \$0.03 in the Globex electronic session. May Brent crude LCOK6, -0.51% on London's ICE Futures exchange fell \$0.15 to \$40.92 a barrel.

Oil prices soared overnight, following U.S. Energy Information Administration data that showed a much larger-than-expected drawdown in gasoline stocks last week, suggesting robust energy demand in the U.S. The 4.5 million-barrel decline in gasoline stocks outweighed the 3.9 million-barrel growth in crude inventories.

“It seems that investors are more than willing to push crude oil prices higher on favorable news, and the recent U.S. oil inventories gave them that very reason,” said OCBC in a note.

The data also showed U.S. crude production was largely unchanged from the previous week, rising 1,000 barrels a day to 9.078 million barrels a day. While production of more than 9 million barrels a day points to an accelerated output, the government expects production to wane as many producers grapple with prolonged low prices.

In a statement Wednesday, the EIA said U.S. monthly crude production in December reached its lowest level since November 2014, and production also declined from year-earlier levels for the first time in more than four years.

“U.S. crude oil production averaged an estimated 9.4 million barrels per day in 2015, and it is forecast to average 8.7 million barrels per day in 2016 and 8.2 million per barrel a day in 2017,” the agency said.

Separately, crude supply is expected to fall, after reports said heavyweights inside and outside of the Organization of the Petroleum Exporting Countries could soon meet to discuss a plan to peg future production at January levels.

“If the meeting results in some form of consensus to freeze production, it would mean some countries will need to pare back to make sure overall OPEC production doesn’t grow, [in order] to accommodate the growth in Iranian production,” said Vyanne Lai, an energy analyst at National Australia Bank.

Adding to the rosy outlook is the expectation that China’s crude-oil imports will remain robust in the coming years, driven by the continued filling of its strategic petroleum reserves and local refineries’ growing thirst, said BMI Research.

It expects China’s crude-oil imports to grow at an average rate of 3.2% a year from 2016 to 2020, from an estimated 6.9 million barrels a day in 2016 to 7.8 million barrels a day in 2020.

Nymex reformulated gasoline blendstock for April — the benchmark gasoline contract — fell 46 points to \$1.4659 a gallon, while April diesel traded at \$1.2290, 37 points lower.

ICE gasoil for March changed hands at \$363.50 a metric ton, up \$0.75 from Wednesday’s settlement.

## Technical Analysis:

### 1.EURUSD

EURUSD	Pivot=1.0992	
R1= 1.1040	R2= 1.1081	R3= 1.1129
S1= 1.0951	S2= 1.0903	S3=1.0862



### 2.GOLD

GOLD	Pivot= 1253.50	
R1= 1264.20	R2= 1275.50	R3= 1286.20
S1= 1242.20	S2= 1231.50	S3= 1220.20



### 3.OIL

OIL	Pivot= 37.62	
R1=39.01	R2= 39.85	R3= 41.24
S1= 36.78	S2= 35.39	S3= 34.55



### 4.S&P500

S&B500	Pivot= 1987.00	
R1= 1996.00	R2= 2002.50	R3= 2011.50
S1= 1980.50	S2= 1971.50	S3= 1965.00



## 5.TASI

TASI	Pivot=6372.25	
R1= 6402.00	R2= 6434.50	R3= 6464.25
S1= 6339.75	S2= 6310.00	S3= 6277.50





## ECONOMIC CALENDER:

	Time	Currency	Title	Actual	Forecast	Previous	Usual effect on Currency
10MAR	02:50	JPY	Foreign investment in Japan stocks (Mar 4)	¥-138.5B		¥-1,015.9B	Actual > Forecast is Good for currency
	02:50	JPY	Foreign bond investment (Mar 4)	¥1,537.9B		¥933.8B	Actual > Forecast is Good for currency
	03:00	AUD	Consumer Inflation Expectation (Mar)	3.4%		3.6%	Actual > Forecast is Good for currency
	03:01	GBP	RICS Housing Price Balance (Feb)	50%	51%	49%	Actual > Forecast is Good for currency
	04:30	CNY	Producer Price Index (YoY) (Feb)	-4.9%	-4.9%	-5.3%	Actual > Forecast is Good for currency
	04:30	CNY	Consumer Price Index (MoM) (Feb)	1.6%	1.1%	0.5%	Actual > Forecast is Good for currency
	04:30	CNY	Consumer Price Index (YoY) (Feb)	2.3%	1.9%	1.8%	Actual > Forecast is Good for currency
	10:00	EUR	Imports (MoM) (Jan)	1.2%	0.3%	-1.6%	Actual > Forecast is Good for currency
	10:00	EUR	Exports (MoM) (Jan)	-0.5%	0.5%	-0.7%	Actual > Forecast is Good for currency
	10:00	EUR	Trade Balance s.a. (Jan)	€18.9B	€19.5B	€20.3B	Actual > Forecast is Good for currency
	10:00	EUR	Current Account n.s.a. (Jan)	€13.2B		€26.3B	Actual > Forecast = Good for currency
	12:00	EUR	Italian Unemployment			11.15%	Actual < Forecast is Good for currency
	15:45	EUR	ECB Interest Rate Decision (Mar 10)			0.05%	Actual > Forecast is Good for currency
	15:45	EUR	ECB Deposit Rate Decision (Mar 10)		-0.4%	-0.3%	
	16:30	USD	Initial Jobless Claims (Mar 4)		275K	278K	Actual < Forecast is Good for currency
	16:30	EUR	ECB Monetary policy statement and press conference				More hawkish than expected is Good for currency
	22:00	USD	Monthly Budget Statement (Feb)		\$-200.00B	\$55.16B	Actual > Forecast is Good for currency