

President Trump assures oil supply post Iran sanction

- US president Trump assured in a memorandum that there is sufficient supply of petroleum and petroleum products from nation other than Iran. US sanction on Iran will come into effective from November 5th.
- EIA Report: The Energy Information Administration said on Wednesday that crude inventories, excluding the Strategic Petroleum Reserve, rose 3.2 million barrels against forecast of 4.1 million barrel for the week Oct. 26.
- Distillate stockpiles fell 4.1 million barrels, versus expectations for a 1.4 million-barrel and Gasoline stocks fell 3.2 million barrels, against market expectation of 2.1 million barrels.
- U.S crude production rose 300,000 bpd to a near record high of 11.2 million bpd,
- Net U.S. crude imports fell last week by 639,000 barrels per day, as exports rose 305,000 bpd.
- SPR: The U.S. Department of Energy (DOE) said in August it would offer 11 million barrels of oil for sale from the nation's Strategic Petroleum Reserve (SPR) ahead of sanctions on Iran that are expected to reduce global supplies of crude. The delivery period for the proposed sale of sour crudes is from Oct. 1 through Nov. 30. According to speculators that the SPR barrels have been hitting the market this month and stockpiles in the SPR fell by about 1.6 million barrels last week.

Outlook

- Brent oil near month future contract expected to trade weak as counter has broken key support level of 75, we may see further decline towards 73.90 and 71.80 in near term, critical resistance level is seen near 76.40. A minor pullback could be seen above 76.40 towards 78.10. Medium term support is seen around at 70.40-69.80 further decline below this level is not expected currently.

Gold dropped to three week low over strength in Dollar Index, focus shifts to monthly nonfarm

- Gold was under pressure after dollar index rose to highest level since July'17 on positive economic data. Dollar index continued bullish rally as U.S. consumer confidence came at 137.9, highest level in last 18 year.
- Monthly Non Farm payroll data will be released on Friday. Nonfarm employment data are projected to show an increase of 191000 in October against 134000 in September.
- SPDR Gold Trust holdings fell 0.12 percent to 754.06 tonnes on Wednesday from 754.94 tonnes on Tuesday.
- Geopolitical: Brexit tension are easing as British Prime Minister Theresa May assumed to struck a deal with the EU which would give UK financial services sector continued access to European markets after Brexit. Euro zone inflation accelerated last month, providing further rationale for the European Central Bank's decision to take back stimulus. Gold is likely to act as safe haven in any situation like this.

Outlook

- Current weakness in gold may continue on a break below \$1216 till \$1206 though medium term trend remains positive while it holds \$1206. Immediate pullback is seen on close above \$1226 which could open targets of \$1234-38; those buying on these corrective dips can consider buying with a closing stop below \$1206. Crude prices marginally up ahead of US sanctions on Iran; Japan's crude imports

Iron Ore prices up as Chinese steel mills continue running at full capacity to meet construction demand

- China's steel industry is accelerating production ahead of the annual wintercuts. Construction demand for Rebar has increased and there is a shift witnessed from hot rolled Coil (HRC) to Rebar.
- The government is injecting liquidity in the system and is giving a push to infrastructure sector. Demand for low grade ore has also picked up due to its cost effectiveness to manufacture Rebar.
- Steel mills accelerate their operations to produce as much steel as possible before government environmental regulations takes place.
- Cost management has encouraged steel mills to switch back to lower-grade ore, while maximizing capacity utilization has encouraged mills to work harder to avoid being targeted for government-led closure or forced amalgamation with a rivals.
- Winter Cut - The steelmaking hub of Handan is one of three cities in China's northern province of Hebei to have issued 'orange' pollution alerts, the state-backed Hebei Daily reported. Handan, Xingtai and provincial capital Shijiazhuang are set to enforce emergency smog reduction measures from 6 p.m. local time on Wednesday until further notice.

Outlook:

- Iron Ore most active contract on DEC, corrected from recent high of 546.50 and found support near 529.40 which is 23.6% Fibonacci retracement level of present rally from 476 to 546, positive move may continue further as long as it does not break its key support of 519 on a daily closing basis i.e. 38.2% Fibonacci retracement. A break above 546.50 can induce further positive move towards 551 and 557. Decline is only possible below 519 towards 510 and 502.
- Rebar prices on SHFE exchange could trade with negative bias unless it closes above 4220; however further decline could be seen below 4052 towards next support level of 3971 and 3903 in near term.

Nickel: Expect the trend to remain bearish while below \$12,750

- Nickel along with other Base metals shook off the October slump as sentiment slightly improved on measures in China to boost demand, Nickel slightly up in London after major producer Glencore Plc highlighted a supply shortage
- Dollar index has declined during Thursday's Asia session helping Nickel and Zinc to rebound, dollar index has remained strong during October and has kept base metals prices under pressure
- Nickel Premiums rose in China with an open import arbitrage making business profitable. The nickel markets in Europe were mostly flat despite a weak LME nickel price. US nickel premiums were unchanged, although consumption levels remained buoyant
- Chinese PMI data was released yesterday which came in below expectations with manufacturing PMI coming in at 50.20 against expectations of 50.60 indicating slowing manufacturing growth in the world's second largest economy. Thus putting pressure on base metal prices

Outlook

- LME 3M Nickel has been declining since the last 2-weeks indicating bearish trend for the metal, expect the metal to decline further if it continues to sustain below \$12,750. Expect it to decline towards \$11,300 & \$11,000.

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