

Oil firms as Hurricane 'Michael' progresses towards the Gulf of Mexico

- Hurricane 'Michael' becomes category 4 storm; targets Florida, upgraded from category 3 yesterday
- A total of 670,831 b/d of oil production, accounting for nearly 40% of total Gulf Coast output affected
- Iran's crude exports fell from 2.5 million bpd in April and 1.6 million bpd in September to 1.1 million bpd in the first week of October, according to tanker data. Buyers of Iranian oil are seeking alternatives ahead of the U.S. sanctions.
- Oil prices dips initially as International Monetary Fund on Tuesday cut its global economic growth forecasts for 2018 and 2019, over tariff war and EM struggle due to currency fluctuations. Economic growth directly affects the oil demand.
- US crude oil inventory data will be released on Thursday, market forecasts an increase of 2.50 million barrel

Outlook: Brent oil bounced from 82.66 and is holding above 84.90, immediate recovery towards recent high of 86.78 is only seen if it trades above 85.40. Bias will turn negative if prices break below 84 and further weakness is likely on the break of 82.52 towards 80.48 i.e. 38.2% Fibonacci retracement level of current rally from 70.40-86.74.

Gold flat to negative on risings US bond yield

- Yield on the benchmark 10-year US Treasury note rose above 3.25 percent in early trading, returning to its highest level since 2011. The yield on the 30-year US Treasury bond rose above 3.43 percent, its highest level since 2014. Bond yield corrected marginally from recent highs, rising bond yield are negative for gold prices.
- Possibility of further rates hikes by FOMC is pushing dollar higher, Although U.S. President Donald Trump on Tuesday criticized the Federal Reserve, telling reporters the central bank is going too fast in raising rates when inflation is minimal and government data points to a strong economy.
- As per IMF reports, Risks to the global financial system have risen over the past six months and could increase further if pressures in emerging markets escalate or global trade relations deteriorate further. Gold is finding support on concern over European financial concerns and declining global growth forecast.

Outlook: Gold is locked in the tight trading range of \$1218-\$1180 per ounce from several weeks and a further move is expected only on a breakout beyond these levels. Immediate support is at \$1180 and \$1161 per ounce while major resistance is seen near \$1235 above \$1218 per ounce.

Nickel continues to consolidate in the \$13,000-12,300 range

- Nickel is trading strong near \$13,000 per tone for the first time since 21st September, prices are being supported largely by a continued drawdown in LME stocks
- In China the tax discount will increase from 9% to 10% and exports that currently get a rebate of 13% and 15% will now be 16%. The move is supportive for industrial metals because a strong export market in China means the country needs to consume more raw material thus supporting base metal prices
- LME participants have sounded optimistic about the Base metal outlook & supportive fundamentals, thus supporting prices
- Sentiment has also improved as Chinese central banks reduced the level of cash banks must hold as reserves freeing up about US\$110 billion
- Beijing has increased liquidity support for the financial system this year as policymakers focus on calming fears of capital outflows and to soothe the markets as anxiety grows that trade war with the US could damage the broader economy

Outlook: LME 3M Nickel has been trading in the \$13,000-\$12,300 range since end of September. The metal is likely to remain range bound with positive bias, expect a further rally towards \$13,250 & \$13,500 on a break above \$13,000, support is seen near \$12,700 & \$12,300.

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