Crude Oil firm over geopolitical tension after Saudi threatens retaliation on sanctions

- Crude Oil remains firm, as geopolitical tensions over disappearance and suspected killing of Saudi journalist mounted, after US exchanged words of fire against Saudi, which also proposed retaliate
- CFTC: The speculator group cut its combined futures and options position in New York and London by 36,652, contracts to 296,456 for the period ending Oct. 9. That is the smallest long position since October of last year
- OPEC and international energy agency expect global oil consumption to increase 1.36 million barrel per day next year, which is below expectation.
- Global economic growth is projected to drop as per international monetary fund, which is the key reason for projected lower oil demand in 2019. Trade war between US and China is also weighing on the Global economy.
- Iran oil export dropped by 39% since Trump announced sanction. OPEC and Russia are struggling to offset drop in Iran and Venezuela's crude production. Saudi and Russia are pumping record oil, even Libya and Nigeria are gearing up to increase oil supply .
- India Oil Consumption: Flood ridden India reported weakest monthly demand growth of the year in high price environment. Indian Petroleum Planning & Analysis Cell released fuel consumption data for September month, indicated a marginal growth of 1.42% yoy for total petroleum demand compared to average 6.73% yoy increase in first half of the year. Transport fuel consumption remained flat in September, 0.50% yoy increase compared to average 7.3% yoy growth in first half of the year. Floods in Kerala and Northeastern states along with rising crude oil prices tampered oil demand in India. We expect domestic oil demand to further soften below its seasonal level in coming months if higher crude oil prices sustains.

Outlook:

- Relief rally in Brent after a sharp decline from 85.17 to 79.80 in last two trading sessions, though it needs to sustain above 82.70 for a further move towards 85.20 and 86.74, remains negative and further weakness can be expected towards 78.20, 77.20 and 75.70 in near term.

Gold prices remain higher over sliding equities and geopolitical issues

- Gold supported by escalating geopolitical tensions such as US-China trade War, US sanction on Iran, friction between US-Saudi, cautions over turmoil in European Union.
- FOMC may consider pausing widely expected rate hike in December, if global equity markets continue to falter further
- An abrupt shift in Fed policy could be interpreted as lack of confidence amongst the world's most important central bankers and could destabilize markets further.
- CFTC: Gold speculators extended their net short position on Comex gold contracts by 29,881 contracts to 103,009 contracts in the week to Oct. 9, as per data prediction.
- Meanwhile, holdings in SPDR Gold Trust, the world's largest gold-backed exchange-traded fund, rose 0.76 percent to 744.64 tonnes on Friday.

Outlook:

- Gold is sustaining above resistance turned support of $1218 per ounce, the key level to watch are $1206 and $1194 on downside, further rally is possible towards $1235-$1262 per ounce while it remains above $1206.

China Rebar at 3-week high on supply disruptions expectation over winter cut and low inventory

- Hebei province on October 11th started its environmental inspections of industrial plants, with authorities saying they will focus on large and medium-sized companies. Mills have been ordered to shut production over un-favorable weather.
- Steel traders are expecting lower production cut this year as provinces have been allowed to set their own production limits instead of a larger ban.
- Imports: Iron Ore Imports from Jan to Sept were down 1.6% YOY, whereas exports were up 20.6% YOY. The Steel Imports from Jan to Sept were down 0.4% YOY, whereas exports were down 10.7% YOY
- Exports: China Steel export rose to 15.80% YOY in September to 5.95 Million tonnes but exports between January-Sept dropped by 10.7% YOY to 53.08 Million tonnes.
- Inventory : China domestic inventories except exchange for rebar dropped by 4.69% while Hot rolled coil dropping 0.12% during last week based on third party survey data

Outlook:

- Hot Rolled Coil Future on SHFE found support around 4200-4176 and upcoming winter cut is likely to strengthen prices. Bullish move is expected above 4336 towards 4390 while limited decline could be seen on a close below 4176 till 4124 in near term.
- Iron Ore prices are projected to drop from recent high, because November is considered as the off season for steel demand thus reducing Iron Ore demand.

Zinc ripe for correction

- Persistent caution in global markets following the global sell-off last week continues to dampen investor sentiment on Monday and thus is pressuring base metals, also continuing concerns over the ongoing US-China trade war is also weighing on the risk on sentiment'
- Downstream signals from the construction & automotive sectors have shown signs of slowing down, also zinc premiums in Asia also declined in the previous week as demand weakened post the LME-SHFE import arbitrage window closed
- The world economy is still growing however it faces an "unprecedented" combination of threats, the IMF cautioned at an annual meeting in Bali with the World Bank on 14th Oct
- President Trump threatened to impose more tariffs on China and warned that Chinese meddling in U.S. politics was a "Bigger Problem" than Russian involvement in the presidential election of 2016.
- Dollar index opened stronger on Monday morning, however is now giving up gains, it can trade sideways in the 96-94 in the coming days

Outlook:

- LME 3M Zinc is trading near the resistance of its 20-week SMA suggesting selling at higher level, also in the previous 2-weeks it has not been able to close above this resistance, in fact it has made doji on the weekly charts near $2640-2730 region which is its resistance zone. While it stays below its resistance of $2730 it could decline towards $2560 & $2525 in the coming days.

ABans Group

Founded in 2005, under the leadership of the Group Chairman Mr. Abhishek Bansal, ABans Group has grown from being a trading house to a dynamic and diversified business group. We provide expertise in Broking Services, Financial Services, Non-Banking Financial Services, Gold Refining, and Realty & Infrastructure. In a nutshell, ABans Group is a comprehensive Financial Services conglomerate, providing end-to-end financial services to all its clients.

Contact Details

Abans Broking Services (P) Limited
36, 37, 38A, 3rd Floor, 227 Nariman Bhavan,
Backbay Reclamation, Nariman Point,
Mumbai - 400 021
Phone +91-22-61790000 Fax +91-22-61790010
Email: info@abans.co.in Website : www.abans.co.in

Social Media

Disclosure & Disclaimer: ABans Broking Services Pvt. Ltd. (ABSPL)

Prepared By:
Mr. Kamlesh Jogi, Market Research Analyst
E-mail: kamlesh.jogi@abans.co.in
Phone: 022 – 6789 8621
Communication Address: Mittal Chambers, 2nd Floor, No. 25,
Backbay Reclamation, Nariman Point, Mumbai - 400021.

Membership Details:
MCX Member ID: 40385 / SEBI Reg. No. INZ000032733;
NCDEX: Member ID F00681 / SEBI Reg. No. INZ000032733

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as **the Regulations**). **ABans Broking Services Pvt. Ltd. (ABSPL)** is a SEBI Registered Research Analyst having registration no. **INH000006369**. **ABSPL**, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock Broking services. **ABSPL** is a subsidiary company of ABans Finance Pvt. Ltd. (AFPL). AFPL is an NBFC, registered with the RBI, in the category of non-acceptance of public deposits.
One of the group companies of **ABSPL** is ABans Securities Pvt. Ltd. (ASPL) which is a SEBI registered member with NSE, BSE and MSE stock exchanges. ASPL is also a Depository Participant of CDSL. ABans Commodities Pvt. Ltd. (ACIPL) is another group entity which is also a registered member with MCX in the Commodity segment. Further details are available on the group website www.abans.co.in
Mandatory Disclosures as per the Regulations:

- Ownership & Material conflicts of interest –
  - Whether the Research Analyst or ABSPL, or his associate or his relative has any financial interest in the subject company and the nature of such financial interest – No
  - Whether the Research Analyst or ABSPL, or its associates or relatives, have actual/beneficial ownership of 1% or more securities of the subject company, at the end of the month immediately preceding the date of publication of this research report or date of the public appearance - No
  - Whether the Research Analyst or ABSPL, or his associate or his relative, has any other material conflict of interest at the time of publication of this research report or at the time of public appearance –No
- **Receipt of Compensation –**
  - Whether **ABSPL**, or its associates have received any compensation from the subject company in the past twelve months – **No**
  - Whether **ABSPL**, or its associates have managed or co-managed public offering of securities for the subject company in the past twelve months – **No**
  - Whether **ABSPL**, or its associates have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months – **No**
  - Whether **ABSPL**, or its associates have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months – **No**
  - Whether **ABSPL**, or its associates have received any compensation or other benefits from the subject company or third party in connection with the research report – **No**
- Whether **the Research Analyst** has served as an officer, director or employee of the subject company – **No**
- Whether **the Research Analyst** or **ABSPL** has been engaged in market making activity for the subject company – **No**
- Other material disclosures, if any

Disclaimer: