

Shanghai Steel Rebar holds 4 Week high over winter production cut

- Anti smog policy is keeping rebar prices buoyant as Chinese steel production capacity drops during winter.
- Tangshan has ordered mills to cut output by half from Oct. 11 to Oct 18 due to adverse weather forecasts, while the province of Hebei, where Tangshan is located, last week started its environmental inspections of industrial plants.
- The World Steel Association estimates China's steel demand is expected to rise by 6 percent this year to 781 million tonnes and will remain flat in 2019 in the absence of stimulus measures.
- The inventory levels at steel mills currently are higher than the same period of last year. Demand supply mismatch in the heating season might be responsible for the rebar price to fluctuate. China's domestic inventories for rebar dropped by 4.69% while Hot rolled coil dropping 0.12% during last week based on third party survey data
- 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. Iron ore output at Brazilian miner Vale SA, the world's largest iron ore producer, reached a record 104.95 million tonnes in the third quarter

Outlook:

- SHFE Rebar –Rebar prices are in bullish trend following pattern of higher high and higher lows from last five trading session, further bullishness can be expected on a break above critical resistance of 4205 in near term. Next level of resistance can be seen near 4299-4418 while important support levels are seen near 4095-3962 and 3900.
- SHFE Hot Rolled Coil Future are range bound and found support around 4200-4176, 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 highs as November is considered as off season for steel demand thus reducing Iron Ore demand too.

Copper bounce back looks likely in the near term

- Global equity markets rebound lifting the mood, solid earnings eyed. Positive developments on the Italian budget and a appeasing tone from UK Prime Minister May also helped sentiment
- Softer dollar has also helped commodities & base metals strengthen, the SHFE November copper contract gained 30 yuan per tonne to 50,220 yuan
- Chile's copper miner Codelco, submitted an environmental impact assessment of its plans to revamp its aging Salvador mine that would increase its production and extend its life by another 40 years
- According to Codelco the mine's overhaul would incur a capital expenditure of about \$1 billion, and increase production to 90,000 tons of refined copper from the 62,000 tons last year. The new mine is expected to be operational by 2021
- Proposed mining tax increases in Zambia will hit mineral exploration and production in Africa's second largest copper producing country
- Unplanned outages in South Australian and Chilean mines has forced BHP to cut its copper production target for fiscal 2018 by about 3% thus improving sentiment for copper prices

Outlook

- LME 3M Copper is trading in the \$6100-\$6380 range since the last few weeks, currently it looks to be at a support zone indicating some buying could immerge near current prices. While it sustains above \$6100 we could see a recovery towards \$6300-\$6350.

Crude surges on surprise decline in US crude stock

- Crude prices trading higher on US commercial inventory report along with Geopolitical tensions over the disappearance of a prominent Saudi journalist.
- Market speculates that Saudi Arabia may cut as much as 0.50 million barrel per day of supply, in case US put sanction over Khashoggi developments.
- Oil prices hold gains after a rally from 79.81 yesterday as industry data showed a surprise decline in U.S. crude inventories. As per data from American Petroleum Institute, U.S. crude inventories fell 2.1 million barrels against expectation to build in 2.2 million barrel. US Gasoline stock dropped by 3.4 million barrel and Distillate fuel stock drops marginally by 0.246 million barrel.
- Inventory data from the U.S. Energy Department's Energy Information Administration will be released today. Crude inventories are expected to rise by 1.25m bbl for week ending Oct. 12 to 411.2m bbl according to the survey done by Bloomberg. Crude inventories at Cushing are expected to increase 2m bbl for week ending Oct. 12. Protest over 200 Dead In Nigeria Oil Pipeline Blast have also helped keep oil prices firm, as per Reuters reports, refiners are running below their capacity of 2100000 bpd after the blast and protest in the area.
- OPEC on Supply - OPEC Secretary-General Mohammad Barkindo on Tuesday urged oil producing companies to increase capacities and invest more to meet future demand as spare oil capacity shrinks worldwide. Russian government is no longer capping oil output increases by local producers, one of the country's top energy companies, Gazprom Neft, said on Tuesday.

Outlook

- Brent oil forming a bullish pattern of higher high and higher low from last three trading session, formed immediate bottom near 79.23, a positive break out above 82 may push counter higher till 82.63 and further towards 83.66 and 85.22.

Gold stable near 1225 after a decline from 1236, relief rally in Asian equities

- Gold is holding near six month highs after retracing from recent top of 1236, Asian equities and currencies rallied following positive global cues.
- The U.S. dollar index dragged lower than the two-week low as emerging market currencies out performed.
- Market awaits release of the minutes from Fed's September policy meeting.
- Gold ETFs saw their longest rally since May on safe haven buying
- Hungary has increased its gold reserves tenfold to 31.5 tons in an effort to make the reserves safer and reduce risks.
- Bullion in India is most expensive in two years due to a weak rupee, potentially cutting demand ahead of the Diwali festival
- Geopolitical tension between US and Saudi is lending support to Gold. President Donald Trump said on Tuesday it "would be bad" if Saudi Arabia's crown prince and king knew about what happened to Khashoggi.

Outlook

- Gold retraced from recent high of 1236 but it 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.

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