Crude drops on higher US Crude inventories

- Crude oil inventory rose 6.49 million barrels against forecasted build of 1.60 million barrel from previous 5.987 million barrel according to latest EIA data. US Crude oil production dropped by 0.30 mbpd to 10.90 mbpd per day last week.
- Crude prices also dropped as China's economic growth slowed more than expected. GDP growth was 6.5% against 6.6% expectation (prev. 6.7%). Trade war with US a drag on the world's second largest economy.
- In a latest update on ongoing tension between US and Saudi, President Trump wants to know the exact reason from Saudi for the death of Journalist Khasoggi. Geopolitical tension are expected to support crude prices.
- Importers are buying more Oil from Iran ahead of US sanction, China's Dalian port to receive 22 million barrel of Iranian crude in Oct and Nov against 1-3 million of monthly average monthly supply.

Outlook

- Crude Oil is unable to hold its gains and broke support level of 79.23, currently trading in a lower high, lower low indicating weakness. Focus has shifted back to 61.8% Fibonacci retracement level of 76.61 and 73.88 Stiff resistance is seen around 82.63, further bullishness can be expected only it if crosses above this level.

Gold found support on global trade tension and drop in equities

- Gold prices are consolidating in range of 1225-1232 over hawkish Fed tone, trade tension and geopolitical issues between US and Saudi..
- US Bond yield rose further on expectations of further rate hikes in future. . A robust US economic data, moderate inflation and a surplus of debt issuance are the reasons for the rising rates.
- Asian stocks drops on Friday as global sentiment was negatively affected over issues ranging from trade worries, Italy's 2019 budget, higher U.S. interest rates and growth concerns in China that led to a slump in Chinese shares in the previous session.
- China's economic growth slowed more than expected. GDP growth was 6.5% against expectations of 6.6% (prev. 6.7%) . Euro dropped against dollar over European commission criticism of Italy's budget and rising concern over political tension in euro zone.

Outlook

Gold is finding support near 1221-1216 range, a breakout above 1236 will shift focus towards next level of 1263-1287 in medium term. Immediate support below 1216 is seen around 1206 and 1197. Minor corrective dips from current levels can be considered as opportunities to create fresh long positions on closing stop loss below 1206.

Nickel Outlook positive while above $12,000

- All Base except Zinc declined as China's economic growth slowed more than expected, to the slowest since Q1 of 2009 as trade tension with the US and domestic factors weighed on growth
- China's National Bureau of Statistics (NBS). Gross domestic product (GDP) figures came at 6.5% YOY in Q3 2018 which missed analyst expectations of 6.6% and was also lower than the 6.7% YOY expansion in the second quarter
- Strong Dollar also had its share of negative impact on the metals as geopolitical tensions and the sentiment strengthened the Dollar, however Zinc bucked the trend as low inventories helped the metal hold its gains
- Also US sanctions on Iran has helped Zinc remain buoyant as the sanctions include Iran's Zinc Mines Development Company, Bandar Abbas Zinc Production Company, Qeshm Zinc Smelting And Reduction Company, however this sentiment could not keep Nickel afloat
- Nickel in the long to medium term looks well supported fundamentally as its demand for use in EV batteries is projected to surge 5-fold over the next 6-7 years also China's growing stainless steel output is expected to contribute to the rising nickel demand. Chinese stainless steel output rose by 4.1% YOY in January-August 2018 to 17.35 million tones according to Antaike

Outlook

- LME 3M Nickel has declined sharply in the last four consecutive trading session but found support near $12,200 levels, we have been mentioning that our view remains positive while its sustains above $12,000. Expect a rebound towards $12,900 & $13,250 in the coming sessions.

Chinese Steel production surged in Sept ahead of winter cut

- Chinese steel prices fell on Friday after data showed China's daily output climbed to 80.85 million tonnes in Sept'18 against 80.33 million tonnes in Aug'18 and 71.83 million tonnes in Sept'17 to a record in September and China's economy slowed to the weakest pace since 2009. Average daily output remains at 2.7 million tonnes, highest in recent months.
- Fourth quarter will be affected due to ongoing winter cut but this year they are likely to be relaxed compared with previous year. In Tangshan, mills continued robust production in absence of detailed order from government.
- China's economic growth slowed more than expected. GDP was 6.5% against 6.6% expectation and 6.7% in the previous quarter. Trade war with US is putting pressure on economic growth of world's second largest economy.

Winter cut in Tangshan

- Tangshan, top steel producing city of China, would put companies into four categories based on their emissions and production cut will be between 30%-70% percent based on the category. The plan will run from Oct. 1 to March 31, 2019.Many mills are still running at normal rate.
- China last winter ordered mills in 28 northern cities to cut output by up to half, causing steel prices to rise 54 percent in 2017. This year prices are up 20 percent.
- For 2018, the curbs will still cover the 28 cities though there are also draft rules to include another eight cities in the Yangtze River Delta and 11 cities in northwestern China.
- In Tangshan, the district of Guye ordered a cut of 50% of industrial capacity at its steel mills from Oct. 11 to Nov. 14, the district will adjust the reduction rate after city authorities give detailed instructions.

Outlook

- SHFE Rebar –Rebar prices are in bullish trend but facing key resistance around 4206-4225, further bullishness can be expected only on a break above its resistance of 4225 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.

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