

Copper performs best in September as trade war fears soften and warehouse stocks drop

- Market anticipate that trade tariffs will have softer impact on global growth than earlier feared making a positive outlook for base metals
- Copper warehouse- LME warehouse stock dried up by 30% in the last three months to 2,17,000 tonnes from 3,08,975 tonnes in June 2018, while SHFE warehouse stock dropped by 73% in the last three months to 38,723 tonnes from 1,46,665 tonnes in June 2018
- Strong economic data from US supported recovery in base metals –
 - Weekly jobless claims fell to their lowest level in nearly 49 years last week, totaling 2,01,000 against expectations of 2,10,000
 - The Philadelphia Federal Reserve Index, meanwhile, rose to 22.9 in September, up from 11.9 in August
 - Existing home sales were unchanged from previous month, showing a seasonally adjusted and annualized rate of 5.34 million in August. Economists were expecting to see a modest increase to 5.36 million units

Outlook: LME 3M Copper is forming a short term bottom near \$5,774 per ton and is now on a recovery path after a sharp decline from the recent high of \$7,347 per ton; initially, prices are expected to recover till \$6,374 per ton i.e. 38.2% Fibonacci retracement levels, and more above till \$6,558 per ton a 50% Fibonacci retracement levels, but still the trend may remain weak, unless it crosses above 61.8% Fibonacci level of \$6,742 per ton in the medium term. A short term bullish recovery will fail if Copper closes back below \$5,877 per ton.

Gold at weekly high on a sliding dollar index

- Dollar index dropped to a nine week low against major currencies from 95 to 93.8 in the last five sessions giving boost to gold prices
- Dollar lost its safe haven appeal on reducing China-US trade war tensions, Trade war with China will increase inflation and termed to be negative for the US Economy in the long run
- Possible short covering may push gold prices much higher as recent CFTC data shows highest net short positions by speculators
- Market awaits Fed meeting next week; a rising interest rate scenario will strengthen the dollar index against other currencies. We expect Fed to increase interest rate by 0.25 bp from current <2% rate, a cautious view for Gold

Outlook: Gold bounced from the recent low of \$1,161.40 per ounce registered on 15th August, following a bullish pattern of higher high and higher low from the last three weeks ; it is now facing a stiff resistance level around \$1,217 per ounce ; as the counter crosses this level, a short term bottom will be confirmed at \$1,161.40 per ounce and the focus will shift towards the next level of minor resistance around \$1,229 per ounce and more above this level till \$1,245 per ounce in the short term.

Traders dump oil after President Trump's tweet

- U.S. President Donald Trump urged OPEC to lower crude prices ahead of its meeting in Algeria this weekend
- OPEC and its allies are scheduled to meet on Sunday in Algeria to discuss how to allocate supply increases to offset a shortage of Iran supplies due to U.S. sanctions
- In a new development, Iran hit back at a U.S. offer of negotiations on Thursday, saying that Washington had violated the terms of the last big deal they agreed i.e. the 2015 nuclear accord

Outlook: Brent crude has formed triple top near \$80.40-\$80.00 per barrel since May 2018 on the weekly charts; further bullishness can be seen if it closes above \$80.40 per barrel in a week's time. A short term bullish trend of higher high and higher low is getting faded as the counter is not able to make fresh highs this week. Any close below \$76.70 per barrel will further pressurize the counter towards the next level of support at \$75.30 and further weakness below this level till \$71.43-\$70.23 per barrel in the short term.

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