

Brent trading flat, US sanctions on Iran eyed

- U.S. sanctions against Iran's crude exports will be implemented starting first week of November 2018.
- U.S. sanctions on Iran are unlikely to eliminate Iran's oil exports in November, when the sanctions are imposed, but U.S. Treasury Secretary Steven Mnuchin tells Reuters "we will eventually get to zero".
- Waivers that the US may give for a few buyers of Iranian oil would require buyers to pare imports by more than 20%, which was the cut required by Obama administration, thus making the sanctions a lot more stringent
- Saudi Arabia pledged to play a "responsible role" in energy markets, although sentiment remained nervous ahead of Iran sanctions which kick in from 4th November
- OPEC agreed in June to boost supply in order to make up for the expected disruption to Iranian exports, though media reports suggest that OPEC is struggling to add more oil in the immediate term.

Outlook:

Brent Oil is currently trading in the range of 78-81. Focus has shifted to its support zone of 76.61 and 73.88. Stiff resistance is seen near 82.63, further bullishness can be expected only if it crosses this level, on the other hand a break below \$78 would open doors for a further decline in the near term.

Gold consolidates after sharp rally in the past 2 weeks

- Gold holds gains amid strong dollar, safe haven buying helping it stay afloat as equities correct, holdings in SPDR Gold Trust increased on Monday
- Gold steady even as the dollar is trading near the two week high amid continuing tensions between the U.S. and Saudi Arabia over the killing of a prominent critic of the kingdom
- Trump says he's still not satisfied with Saudi Arabia's explanation of the death of journalist Khashoggi, calling it a "plot gone awry," as Treasury Secretary Steven Mnuchin met with Prince Mohammed bin Salman in Riyadh on Monday, where they discussed Khashoggi investigation
- U.S. threatened to pull out of a nuclear weapons pact with Russia, fueling tensions, Russia said it would be forced to respond in kind to restore the military balance with the United States if US quits the nuclear arms treaty and begins developing new missiles
- Gold would be looking for global macroeconomic and geopolitical clues for further direction in the coming days
- Dollar index has resistance near 96-96.10 levels which has to be watched, a break above this could take it higher towards 96.70-97.00 which might in turn put pressure on Gold and other commodities

Outlook:

Gold has been trading in the 1221-1216 range; a breakout above 1236 will take it higher towards 1263-1287 in medium term. Immediate support below 1216 is seen near 1206 and 1197. Minor corrective dips from current levels can be considered as opportunities to go long with a stop loss below 1206.

Copper remains mixed as market waits for further cues

- According to International Copper study Group PRESS RELEASE (ICSG), world mine production of copper is estimated to have increased by about 4.5% in the first seven months of 2018, with concentrated production rising by 4%.
- As per the ICSG PRESS RELEASE, the overall increase in Copper's world mine production is about 500,000 tons.
- At the end of September, copper stocks held at the major metal exchanges (LME, COMEX, SHFE) totaled 467,555 tons, a decline of 74,974 tons (-14%) compared to the stocks held at the end of December 2017. Stocks were down at the LME (-1%), SHFE (-26%) and COMEX (-18%)
- Concerns about trade war are also weighing on the sentiment thus strengthening the Dollar index and putting pressure on Base metals
- Also after China's pledge to support private companies with liquidity issues, has already fueled the rally and the market would be looking forward for further macroeconomic and geopolitical cues for a future direction.

Outlook: LME 3M Copper has faced resistance near the 20-day SMA indicating lack of buying at higher levels, it has resistance near \$6340 above which it could target \$6400 & \$6480. While above its critical support of \$6120 we can expect it to either trade sideways or break \$6340 on the upside. A decline however would be possible if it breaks \$6340.

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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



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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;

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