Crude awaits weekly inventory data and Fed meeting, Brent stays in a range near 82 levels

- Weekly crude oil inventory data, which will be released on Wednesday, will give more direction to crude. For the week ended September 14, US crude oil inventories were 3% below their five-year average and flat from the previous week. Weekly data forecasts a 1.67 million-barrels decline in oil inventories. The inventories spread will likely remain at -3% if the EIA data matches the projection.

- US sanctions on Iranian crude exports are going to be implemented from 4th November and in recent OPEC-non OPEC meeting, the cartel came to a consensus not to increase production further from current levels. They believe that the crude oil market is balanced and decided to continue producing oil at 100% compliance rate. Iranian crude exports are expected to reduce by close to 1.5mbd, when sanctions kick-in and preliminary data supports the same. Simultaneously, Venezuelan crude continues to deteriorate further on the back of no or far less than required oil investments.

- Brent oil prices are set to rise further from current levels on supply disruption after Iran sanctions and a broader range of $80 to $90 per barrel looks achievable in the last quarter of this year. Although any release of US crude from its Strategic Petroleum Reserve (SPR) before the mid-term elections on 6th November poses a threat to our bullish view, its impact would be short lived.

India plans a big move to compensate Iran oil deficit from US WTI Oil which is $10 cheaper than Brent oil

- India is not planning to buy any crude oil from Iran in November according to media reports, raising the prospect that Tehran will lose another major customer as U.S. sanctions hit. India is the second-largest buyer of Iranian oil, having imported an average of 577,000 barrels a day this year, or about 27 percent of the Middle Eastern country's exports.

- India has for the first time allowed state refiners to buy 35 percent (which is up from 15.48 percent) of their oil imports or 118.15 million tonnes in tankers arranged by the seller, enabling them to swiftly tap cheaper cargoes. After this, Indian refiners will be in a position to purchase more U.S. oil, which is mostly available on a CIF basis, helping to compensate for the loss of Iranian oil supplies. U.S. crude is currently trading at a discount of about $10 a barrel to the Brent global benchmark price.

- Indian fuel prices keep rallying on the upside with Petrol prices in Mumbai quoting at ₹90.22/Ltr. Indian refiners, hit by high crude prices and a sliding rupee, are planning to reduce oil imports in what could be a sign that high prices are starting to hurt demand.

Outlook: *Brent oil futures contract on ICE was forming a triple top near $80.40-$80.00 per barrel since May 2018 on the weekly charts; these are seen broken on the higher side and now further bullishness can be seen towards the next level of resistance till 81.50 and 82.80 in the near term. Minor corrective dips till 80.10-79.20 can be considered as a fresh buying opportunity with stop loss below strong support base of 78.60 in the near term.*

Gold holds in a range ahead of Fed meeting, dovish comment may force a breakout above $1217

- Global markets await the Federal Reserve's interest rate decision on Wednesday. The Fed is widely anticipated to raise interest rates by 25bp, and this is termed to be supportive for the US dollar.
- The Fed will end its two-day policy meeting later on Wednesday at which it is expected to raise interest rates for the eighth time since late 2015. Investors are also counting on another rate hike before year-end, though the outlook for 2019 is less clear.
- The US dollar index is trading sideways after China cancelled trade talks, any pullback from current levels will further pressurize gold prices.
- Though the general sentiment is quite weak for gold, any dovish comment from the Fed may boost prices from current levels and a possible technical breakout above $1217 levels may signal a more positive move in the near term.
- **India Demand:** The downside is limited for Indian gold prices due to weakness in the domestic currency. The Indian government has planned to go for an alternative of promoting the Gold Monetization Scheme (GMS) over hiking import duty and this is widely welcomed by jewelers.
- Gold demand is expected to soften during the fifteen day's inauspicious period of "Pitru Paksha Shrad" which will get over by 8th Oct'18. The upcoming festival season begins with Navratari on 10th Oct'18, followed by Dussehra & Diwali along with a higher Minimum Support Price (MSP) on Kharif Crop will boost domestic demand further towards the end of this year. Kharif crop harvest season starts from mid of September and it continues till October end.

Outlook: Gold bounced from the recent low of $1161.40 per ounce registered on 15th August, following a bullish pattern of higher high and higher low from the last three weeks, and is now facing a stiff resistance level around $1217 per ounce ; if the counter crosses this level, a short term bottom will be confirmed at $1161.40 per ounce and the focus will shift towards the next level of minor resistance around $1229 per ounce and further above this level till $1245 per ounce in the short term.

Copper slips on expected Fed rate hike and trade war worries, LME inventory kept drying

- Base-metals demand may slow down as China and the United States imposed tariffs on each other's taking effect from Monday.
- China also called off planned talks with the United States, with the chances of anything happening before the U.S. mid-term election now highly unlikely.
- U.S. tariffs on $200 billion worth of Chinese goods and retaliatory tariffs by Beijing on $60 billion worth of U.S. products took effect on Monday, though the initial level of the duties was not as high as feared earlier.
- China golden day week 7 days holiday begins from October 1.
- LME Copper Warehouse continues to drop; the net deliverable stock dropped by 1425mt yesterday. The total warehouse stock was 212925 mt. SHFE copper inventory remained at 111029mt with a weekly drop of 23537mt, according to data released on 21st September.

Outlook: LME 3M Copper is forming a short term bottom near $5774 per ton and is now on a recovery path after a sharp decline from the recent high of $7347 per ton. Initially, prices are expected to recover till $6374 per ton i.e. 38.2% Fibonacci retracement levels, and more above till $6558 per ton a 50% Fibonacci retracement levels, but still the trend may remain weak unless it crosses above 61.8% Fibonacci level of $6742 per ton in the medium term. A short term bullish recovery will fail if Copper closes back below $5877 per ton.

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