

## US Federal Reserve raises interest rates, ends “Accommodative” Monetary Policy

- The Federal Reserve lifted the benchmark overnight lending rate to 2.25 percent, up from 2 percent, which is the third hike this year
- Policy will further expand till 2021
- Removed “Accommodative” word from the policy statement, indicating a less accommodative stance, and headed towards a neutral rate of 3.5 percent
- The US economy is poised to grow faster than the expected 3.1 percent this year
- Inflation is forecast at 2 percent and unemployment rate is expected to fall to 3.5 percent next year
- Impact on markets - US treasury yield curve flattened, US dollar briefly weakened and stocks extended minor gains and fell later

## India raises import duty on “non-essential” goods, addresses widening CAD

- Basic custom duties were raised by 2.5 to 10 percent on 19 items worth Rs. 86,000 crore of imports bill
- Additional revenue of Rs. 4,000 crore is expected from non-essential imported items
- The Chinese consumer durable industry is most affected as washing machines, air-conditioners and refrigerators duties doubles
- Imported gems and jewellery & diamonds are affected
- Minor correction in USD-INR is foreseen from the current rally, though the impact may not last longer

## Gold trading in range after decline, dollar marginally up post US rate hike

- Gold prices lifted marginally, investors turned sideways after the yellow metal fell to a two-week low yesterday, following a U.S. interest rate hike.
- The dollar index steadied against its peers as the small boost it received from the Fed interest rate hike faded. The Fed statement did not have much of an impact on the dollar.
- China, on Wednesday, unveiled plans to cut tariffs for products, including machinery, electrical equipment and textile products beginning from November 1<sup>st</sup>, as the country braces for an escalating trade war with the United States
- India Demand - Rising inflation and higher gold prices due to weakening Indian rupee are the key reasons behind lower demand for gold in the near term. Also, the inauspicious period of “Pitru Paksha Shrad” is holding back consumers to buy gold for 15 days which will end on 8th October, 2018. Indian demand for gold will be seen only during the upcoming festival season of Navratri, Dussehra and Diwali. The prospect of inflation reducing from current levels is unlikely in a rising fuel prices scenario.

**Outlook:** Gold bounced from the recent low of \$1161.40 per ounce registered on 15<sup>th</sup> 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 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.

## US ruled out release of emergency crude reserves, crude production surpassed 11Mbpd

- Oil surged on the prospects of a supply crunch after the U.S. Energy Secretary Mr. Rick Perry ruled out the release of emergency crude reserves, adding to concerns over potential losses in Iranian supplies.
  - Crude Oil inventory in the U.S. increased by 1.85 million barrels to about 396 million barrels last week. Inventories in the key oil storage hub in Cushing, Oklahoma, also increased for the first time in three weeks.
  - U.S. crude production last week surpassed the previous 11 million-barrel-a-day record, government data showed.
- **Iran** has sent more crude cargoes under an oil-for-goods deal with Russia, while Japan's imports from Iran declined by more than 30 percent last month from a year earlier. As U.S. sanctions squeeze Iranian oil exports from world markets, Abu Dhabi's plans to sell a new grade of crude and boost output capacity at two offshore deposits may help it fill a possible supply gap.
- **India** is not planning to buy any crude oil from Iran in November. 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 allowed state refiners to buy 35 percent (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 move, Indian refiners will be in a position to purchase more U.S. oil, which is mostly available on a CIF basis. U.S. crude is currently trading at a discount of about \$10 a barrel to the Brent global benchmark price.
- Indian fuel prices registered new historical highs, petrol prices were quoted at ₹ 90.35/Ltr and diesel prices were ₹ 78.82/Ltr

**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 a stop loss below a strong support base of 78.60 in the near term.

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