

## Iron ore up by two percent on dwindling stocks at China

- Chinese iron ore port inventory dropped by 0.15 million tonnes to 143.85 million tonnes during last week as per third-party survey reports, indicating robust demand. Iron ore port inventories were near record highs at 161.98 million tonnes during June 2018 this year.
- Iron ore is indicating robust production of crude steel this year on robust construction demand . China's Crude steel daily output is at 2.70 million tonnes during September before the winter production cuts.
- Steel prices may face some challenges in next few months as China is having lenient winter cuts during the upcoming winter season as compared to previous year and production has already increased in anticipation. Demand may decline further on sliding global equities on China-US trade war, which may also weigh on steel prices.

### Outlook

- Iron ore prices on Dalian Commodity exchange are holding on to its highs after a break out from 478-520 range, now facing minor resistance near 543, short term trend is strong and further upside is likely towards 555-564, if it continues to hold above 520 in near term.

## Saudi Arabia pledged to ease oil supply during sanction on Iran and rig count in US and Canada increases

- US production is expected to rise further after drillers added 2 oil rigs last week bringing the number to 875, hitting the highest level since March 2015. Canada also raised one extra oil rig to 124 last Friday, up 28 from a year ago.
- Saudi Arabia pledged to increase oil production to 11 bbpd to compensate for the downfall from U.S. crude sanctions on Iran starting next month.
- Crude oil remains negative on equity sell-off last week; indicating global economic slowdown which is likely to reduce oil demand.
- OPEC governor quoted saying that the oil market might shift towards oversupply in the fourth quarter of 2018 as oil stocks build and demand slows.

### Outlook

- After a sharp decline from 86.74 to 75.10, Brent oil near month future contract on ICE bounced towards 77.91 on short covering rally, though short term trend is still weak unless it remains below 79.59 i.e. 38.2% of Fibonacci retracement level of current decline. Further weakness is expected if Brent trades below 76.50. Decline is possible towards 75.10 and further weakness is seen below this level till 73.90-71.30 in near term.

## Gold trading in 1227-1238 range, bias remains positive as equity markets continue to slide

- Gold is trading in a narrow range as equities remain in negative territory. US sanction on Iran, and Monthly non-farm pay roll data are key event to watch this week.
- European commission rejection of Italy's budget and US trade war with china which may have a negative impact on Chinese economic growth are also helping the precious metal prices stay afloat.
- CFTC – In the week of 23 Oct, Hedge funds and money managers cut net short position in Comex gold by 10,473 contracts to 26,899 contracts. The smallest net short position since mid-July.
- Gold is also expected to take further cues from US midterm election, Fed interest rates in coming months.
- While strength in US Dollar and minor recovery in equities from current levels is a risk to gold.

### Outlook

- Gold is trading in the 1228-1238 range since the past last two trading sessions, it could target 1262-1285 in near term. Immediate correction towards 1233-1227 can be considered as fresh buying opportunity with a closing stop below 1216.

## Copper can rebound while above \$6100

- Profit growth at China's industrial firms slowed for a 5th consecutive month in September 2018 as sales of raw materials and manufactured goods further declined, indicating declining domestic demand in the world's second-biggest economy
- Indicators from Asia's top economy pointed to further deterioration in conditions during October which could also be a negative impact due to the trade war with the U.S
- Dollar index is trading flat, however weak macroeconomic cues are keeping copper under pressure.
- Yuan continues to depreciate making commodities priced in other currencies further expensive for buyers paying in Chinese currency

### Outlook:

- LME 3M Copper is trading lower today but while it trades above \$6100 it can still bounce towards \$6225 & \$6275 in the near term. However a break below \$6100 could take it below \$6050 & \$6000 in the coming sessions.

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