Rising bond yield along with Strength in dollar index pushing gold prices lower

- Gold at two week low on strong dollar, US dollar index rose to highest level of since July'17.
- U.S. consumer confidence figures came in at 137.9 which is at an 18-year high, driven primarily by a hot labor market and expectations that economic growth will remain solid in the near term. Dollar index traded above 97 for first time since July 2017, bond yields rose further on Tuesday.
- US sanction on Iran and Monthly non-farm pay roll data are key events to watch out for this week. Nonfarm employment data are projected to show an increase of 191000 in October against 134000 in September.
- European commission's decision of rejecting Italy's budget and the fear of US China trade war may have negative impact on Chinese economic growth, which is preventing further decline in precious metals.
- Gold is also expected to take cues from US midterm elections; Fed interest rate decision in the coming months could also drive gold prices.

Outlook

- Current weakness in gold may continue on a break below $1216 till $1206 though medium term trend is still positive as it holds above $1206. Immediate pullback is seen on close above $1226 which could open targets of $1234-38, those buying on these corrective dips can consider buying with closing stop loss below $1206 per ounce.

Crude prices marginally up ahead of US sanctions on Iran; Japan's crude imports from Iran drop 31%

- Japan's crude oil imports from Iran dropped by 31% to 148775 barrels a day in comparison to same month last year. Iran crude sanctions is projected to reduce world oil supply by 1.5 million barrel per day which cannot be easily compensated by other nations, though US oil production is expected to rise further on increasing oil rig count.
- Oil prices remain range bound as Saudi Arabia and Russia vowed to raise crude output. To contain oil prices at current levels Saudi Arabia pledged to increase oil production to 11 million bpd and waivers would ease crude prices further from current levels .
- API Report – Crude inventory rose by 5.7 million barrel in the week ended Oct26 to 424.10 million against expectations of 4.1 million barrels. Crude stocks at Oklahoma rose by 1.9 million barrel. Gasoline and Distillate inventory dropped by 3.5 million barrel and 1.4 million barrels respectively which was also a reason behind minor strength in crude prices.
- The Energy Information Administration (EIA) will release weekly report on Wednesday, Crude inventory are expected to increase by 3.667M against previous 6.346M.

Outlook

- After a sharp decline from 86.74 to 75.10, Brent oil's near month future contract on ICE bounced towards 77.91 on short covering rally, though short term trend continues to remains weak unless it sustains 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 towards 75.10 could be seen and a further decline below this level is possible for a decline towards 73.90-71.30 in near term.

Expect selling in Copper on rebound as trend remains bearish

- Weakness in copper prices is a result of concerns over global trade and the risk of softer global growth, also the Chinese PMI data released today morning came in below expectations. Manufacturing PMI came in at 50.20 against expectations of 50.60 indicating slowing manufacturing growth in the world's second largest economy
- Metals are under stress due to trade war, US's trade policies disrupt global supply chains, that's especially for the consumer electronics and white goods that have been a focus of the president's efforts to restore America's business belt. Prices of base metals especially copper have been negatively affected.
- Dollar index continues to strengthen and could gain further towards 97.50 in the near term thus putting further pressure on copper

Outlook

- LME 3M Copper has ended in a bearish candlestick formation and has breached its support of $6100 opening levels of $5950 & $5900, the trend is bearish for now and a further decline looks likely towards the above mentioned levels.

China Steel prices fall on poor PMI data

- China's manufacturing growth slowed down over trade war concerns, falling to 50.2 in October from 50.8 in September, market expectation were for a milder decline to 50.60, steel PMI was at 52.10 in October against 52.0 in September
- US is preparing fresh round of tariff on remaining Chinese goods if trade talks between US and China fail to ease the ongoing trade war in December
- China's steel production is also expected to increase this year on lenient production cut during winter this year
- Eastern Shandong province plans to allow local authorities in seven cities to determine the length of their output restrictions on industry from mid-November to mid-March, but the cuts must cover at least two months and include December and January.
- 11 cities in three central provinces, known as Fenwei Plain, will introduce production restrictions
- Several regions have published their production restriction plans during anti-pollution campaigns in winter; however the actual impact on steel output is expected to be limited.
- Construction sites in northern China will close down amid falling temperatures, which would curb demand for steel products.

Outlook

- Rebar prices on SHFE exchange may remain sideways with negative bias unless it breaks and closes above its critical resistance of 4220; however further decline is possible on break below 4052 towards next support level of 3971 and 3903 in near term.

ABans Group

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