DAILY ANALYSIS REPORT

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ABANS

US tariff on EU goods after WTO judgment pushed gold prices higher

Copper prices holding in range as China market closed this week

Weak economic data and US tariff on EU keeping oil prices lower

Losses into equities, risk sentiment over trade war keeping Indian rupee under pressure

US TARIFF ON EU GOODS AFTER WTO JUDGMENT PUSHED GOLD PRICES HIGHER

- Gold prices traded higher following weaker-than-expected US jobs data reinforced global economic slowdown fears and raised expectations of further monetary policy easing by the U.S. Federal Reserve.
- The ADP National Employment Report on Wednesday showed private payrolls growth in August which was below market expectation.
- Tariff on EU after from US after WTO judgment have rattled the market sentiment for other assets class and increased buying interest into gold. The Trump administration put 25% tariffs on various EU and Italian goods. The duties are set to take effect Oct. 18.
- Germany's leading economic institutes on Wednesday slashed their growth forecasts for Europe's biggest economy for this year and next. Weaker global demand for manufacturing goods is seen due to trade war which has increased business uncertainty.
- British Prime Minister Boris Johnson made a final Brexit offer to the EU, proposed a final last-minute exit deal that was cautiously welcomed by the EU.
- SPDR Gold Trust holdings rose 0.32% to 923.76 tonnes on Wednesday from 920.83 tonnes on Tuesday.

Outlook

- Gold is bounced on poor US jobs data and tariff on EU. Fresh tariff war with EU and US jobs data reinforced global economic slowdown fears. Gold could found support near $1449-1426 per ounce while key resistance could be seen around $1492-1518. Geopolitical issues across the globe could provide some support to gold prices at lower levels although increasing optimism over US-China trade war remains the risk to the bullish view.

COPPER PRICES HOLDING IN RANGE AS CHINA MARKET CLOSED THIS WEEK

- Copper prices declined to one-month low due to weak economic data from US and tariff on EU. Stronger dollar is also keeping prices lower.
- The Shanghai Futures Exchange is closed during Oct. 1-7 for the National Day holiday.
- Chile's production of copper jumped in August by 11% to 517,902 tonnes compared to the same month the previous year. Total mining production increased 5.3 percent in 12 months.
- Chinese factory activity picked up in September on improving domestic demand. The official PMI was at 49.8 in September, slightly higher than 49.5 in August according to the National Bureau of Statistics.
- The Chinese government is not looking to stimulate the economy further. China hopes to resolve trade disputes with a calm and rational attitude. Both nations are set to meet for a talk on October 10-11.
- Some sort of recovery was seen in prices last week after a comment from President Trump. He expects the deal with China sooner than people think.

Outlook

- Strength in dollar index is keeping Copper prices under pressure along with poor demand due to trade war. Copper may find an important support around $5660-$5600 per ton, while key resistance can be seen around $5770-$6,036.Recovery in Chinese factory activity and any improvement in sentiment due to optimism over US china trade war could provide support to Copper prices. Trade talks between the US and China are set to resume Oct. 10-11 in Washington, which could provide further direction to Copper prices.

WEAK ECONOMIC DATA AND US TARIFF ON EU KEEPING OIL PRICES LOWER DESPITE DROP IN OPEC AND RUSSIA OIL PRODUCTION

- Fears over the worsening global economic outlook have hit oil prices hard this week. US ADP data were worse than market expectation while new tariff imposed on EU are adding to the negative sentiment.
- Crude oil prices fell further after the EIA (Energy Information Administration) reported an inventory build of 3.1 million barrels for the week to September 27 against market expectation of 1.5 million build.
- OPEC's output fell to the lowest in eight years in September at 28.9 million bpd, down 750,000 bpd from Augusts' revised figure and the lowest monthly total since 2011.
- Russia's output declined to 11.24 million bpd in Sept. 1-29, down from 11.29 million bpd in the previous month.
- Demand outlook is keeping oil prices lower despite output drop. A slowing global economy and the recovery of Saudi production may keep oil prices lower despite risk factor in Middle East.
- Saudi Aramco has restored full oil production and capacity to the levels they were at before attacks on its facilities on Sept. 14.
- US crude oil output fell 276,000 bpd in July to 11.81 million bpd according to a US EIA report. U.S. production peaked at 12.12 million bpd in April.
- Oil prices could receive some support over constructive US-China trade talks, geopolitical issues in Middle East and increasing factory activity in China. But rising crude oil inventory and disrupted Aramco production clawing back to normal is keeping oil prices under pressure.
- However geopolitical tensions in the Middle East remained higher after Saudi Arabia's crown prince warned that oil prices could spike to "unimaginably high numbers" if the world does not come together to deter Iran. He would prefer a political solution to a military one.

Outlook

- Weak economic data from US and Europe increased the gloomy outlook for oil demand, and this will keep oil prices under pressure. Fresh Trade war between EU and US has increased risk sentiment for slowdown into global economy. We can see selling near resistance levels, however rising tensions in the Middle East post the Aramco attack and any resolution to US-China trade war could provide support to oil prices. Brent oil could find support around 57.20-55.90 levels, while key resistance remains near 59.70-61.40 levels.

LOSSES INTO EQUITIES, RISK SENTIMENT OVER TRADE WAR KEEPING INDIAN RUPEE UNDER PRESSURE

- The Indian rupee weakened against the US dollar on following losses in equity markets over weak domestic economic data, trade war and geopolitical tensions.
- India's Fiscal deficit stands at Rs.5.54 Lakh Crore till August, Full year projection was for 7.03 Lakh Crore, which is 78.7% of the budgeted estimate for the current fiscal year.
- The Union budget estimated that the fiscal deficit for 2019-20 is likely to be Rs 7.03 lakh crore, or 3.3% of the gross domestic product (GDP).
- Recent steps by the government to boost economic activity after the growth slipped to a six-year low of 5.0% have led experts to estimate that the fiscal deficit is set to exceed the government target. Fitch credit rating agency has estimated that India's fiscal deficit for 2019-20 will be 3.7% of GDP.
- India's current account deficit narrowed to 2% of GDP in June quarter. India's current account deficit (CAD) for the first quarter ended June contracted to 2 per cent of the gross domestic product (GDP) on a year-on-year basis.
- Lower crude prices and higher invisible receipts have helped to narrow the current account deficit to 2

percent of GDP or at USD 14.3 billion in the first quarter, down 30 basis points from year-ago.

- The focus is turning towards the RBI policy meet this week on October 4th. Any dovish stance by the Central Bank could weigh on the rupee against the USD.

FII and DII Data

- Foreign Funds (FII's) sold shares worth Rs. 1298.56 crores, while Domestic Institutional Investors (DII's) sold shares to the tune of Rs. 1503.02 crores on October 1st .
- In Sept'19, FII's net sold shares worth Rs. 6624.05 crores, while DII's were net buyers to the tune of Rs.12490.8 crores.

Outlook

- The Rupee may recover towards 70.40-70.00 levels against the US dollar in the short term following measures by the Government of India to stimulate the economy through tax cuts for corporates, optimism over the US-China trade war, an interest rate cut by the US Fed and dovish policy measures by other central banks. Market will now be focused on the RBI policy meeting this week. We expect the RBI to remain dovish and cut rates by 35 bps.

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