

Iran oil export waiver: Secretary of State Mike Pompeo to address press conference at 7 PM (IST)

Major Highlights:

- The United States re-imposes oil and financial sanctions against Iran on Monday
- Building pressure on Tehran in order to curb its missile and nuclear programs and counter its growing military and political influence in the Middle East.
- The move will restore U.S. sanctions that were lifted under a 2015 nuclear deal negotiated by the Barack Obama administration, President Donald Trump announced Iran sanctions in May'18.
- Sanctions will be released at 7:00 PM (IST) by Secretary of State Mike Pompeo and Treasury Secretary Steven Mnuchin.
- China, India, South Korea, Japan, and Turkey - all top importers of Iranian oil - are among eight countries expecting sanctions waivers
- Countries will deposit Iran's revenue in an escrow account

Oil prices drop on waiver hopes from US over Iran sanctions

- The U.S. said it would allow eight countries to import crude oil from Iran
- Oil supply disruption expected to be less severe
- Iran urged Europe for support
- Germany, France, and the UK released a joint statement expressing 'regret' on the re-imposing of sanctions
- Russia vowed to help Iran counter US sanctions
- The US, Russia and Saudi Arabia hinted raising combined output exceeding 33 million bpd
- Abu Dhabi National Oil company of UAE said to raise oil production to 4 million bpd by end of 2020 and 5 million bpd by 2030
- South Korean Government Official quoted saying that country has won waiver on imports from Iran.
- CFTC Report - Speculative long positions of crude oil futures declined -19,741 contracts, while shorts rose +2,899 contracts, resulting in a fall net long contracts by -22,640 contracts, to 432,638 contracts.

Outlook

- Oil supply is expected to increase in near term, hence price could remain weak, medium-term support is seen near 70.40-69.80

Gold steady, focus on US Midterm elections

- Gold continues to trade in the range \$1227-\$1239 per ounce as focus shifts towards U.S. congressional elections which will determine whether the Republican or Democratic Party controls Congress. Midterm election is slated for November 6th.
- On Friday, Nonfarm payroll data bettered expectation, encourages Federal Reserve to raise interest rates again in December. The U.S. economy added another 250,000 nonfarm jobs in October as the U.S. labor pool hit a record high of 156.562 million workers.
- CFTC Report - Hedge funds and money managers raised their net short position in gold by 18,723 contracts to 45,622 contracts which are highest in 3 weeks
- Physical gold demand in India was lackluster last week, as high prices keeping consumers away.

Outlook:

- Gold's direction might depend on US Midterm election; any further weakness in dollar index is likely to boost gold from current levels. Key resistance is seen around \$1239, higher targets of \$1261 could be achieved, while critical support remains near \$1212-\$1206

China HRC, Rebar and Iron prices continue to slides over demand worries and strengthening Yuan

- Prices of China hot-rolled coil dropped due to market concerns about demand as buying interest among end-users was thin and deals were limited over the week
- Metals prices also fell, as hopes over a possible resolution to the trade war between the US and China were punctured by White House economic adviser Larry Kudlow stating a deal was not imminent.
- China's iron ore prices slumped after the Yuan strengthened; making imports cheaper, amid expectations that the winter season will see reduced demand for the steelmaking raw material.
- Steel Rebar futures also declined on sufficient supply and reduced construction demand during the winter season.
- The construction in the eastern and southern region will improve in the current month, while it will be reduced in the north due to weather conditions.
- In Shandong Province, industries in steel, coking, casting, and such industries have to implement peak production cut from November 15th, 2018 to March 15th, 2019, implementation no less than 2 months, including December and January. This might be cut short or extended depending on air quality.
- Easing tensions between the US and China may boost demand as a telephonic conversation between the US and Chinese President gave a ray of hope.
- Inventory of steel products declined in China, rebar stocks fell by 5.8 percent and hot-rolled coil inventories declined by 0.8 percent, according to a third-party website.

Outlook:

- Iron Ore prices are expected to decline from recent highs as November is considered to be a off season for steel demand thus reducing Iron Ore demand too.

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