
Speculators have increased net long bets in Gold
Crude oil net long have dropped and US oil rig count has increased
Chile's copper production fell 6.2% year-on-year in August

SPECULATORS HAVE INCREASED NET LONG BETS IN GOLD

- ▲ Gold prices are hovering around 1,898, with moderate losses, although speculators have increased net long positions in Comex gold futures contracts. According to the CFTC weekly report for the week ending September 29, net long positions in gold futures at Comex have increased, as a rise in speculative long positions was accompanied by a fall in speculative shorts. Net long contracts soared +24,599 to 243,659. Speculative long positions gained +7,091 contracts, while shorts plunged -17,508.
- ▲ On the US economic data front, US September Non-farm payrolls rose +661,000, weaker than expectations of +859,000. Also, August factory orders rose +0.7% m/m, and +0.7% m/m ex-transportation, weaker than expectations of +0.9% m/m, and +1.1% ex-transportation. The University of Michigan U.S. consumer sentiment rose for September by +1.5, to a 6-month high of 80.4, stronger than expectations of +0.1, to 79.0.
- ▲ Dovish Fed comments also supported gold prices. Philadelphia Fed President, Harker, has said that it is worth tolerating more inflation for job gains and "no longer will we head off higher inflation by pre-emptively raising interest rates before we have achieved full employment."

Outlook

- ▲ We may see net long positions increasing in gold in the coming week, due to the safe-haven demand, which has re-emerged after a second wave of coronavirus outbreak in Europe, and political uncertainty in the US. We may see support around the 100-days EMA at \$1,873 per ounce. Meanwhile, key resistance could be seen at the 50-days EMA at \$1,915 per ounce.

CRUDE OIL NET LONG HAVE DROPPED AND US OIL RIG COUNT HAS INCREASED

- ▲ Crude oil prices are trading near \$38 per barrel, and are expected to trade lower, following increasing US oil rig count, and a drop in NYMEX long positions. According to the CFTC Commitments of Traders report for the week ended September 29, net long positions for crude oil futures declined -10,858 contracts to 461,911 for the week. Speculative long position added +688 contracts, while shorts rose +11,546 contracts.
- ▲ Meanwhile, US rig oil counts have increased for the second week. Baker Hughes on Friday reported that the number of active U.S. rigs drilling for oil rose by 6, to 189 this week. The increase followed an increase of 4 oil rigs in the previous week. The total active U.S. rig count, meanwhile, was up 5, to 266, according to Baker Hughes.
- ▲ Increased OPEC output is also negative for oil prices, after OPEC September crude production rose +40,000 bpd. to a 4-month high of 24.430 million bpd, the third consecutive monthly increase. Russian September crude production rose +0.6% m/m, to 9.932 million bpd. Libya's crude output, as of Wednesday, has risen to around 300,000 bpd, up from 80,000 bpd, at the start of the last month.
- ▲ U.S. economic data was mostly weaker-than-expected, and this is bearish for crude prices.

Outlook

- ▲ We expect crude oil prices to remain under pressure on account of weakness in world energy demand, due to the coronavirus pandemic, and increasing oil supplies from the U.S. and OPEC+ members. WTI crude oil could trade towards the next support levels of \$36.90-36.20, and a critical resistance level is seen around the 20-days EMA at \$39.36.

CHILE'S COPPER PRODUCTION FELL 6.2% YEAR-ON-YEAR IN AUGUST

- ▲ Copper prices are holding near the \$6,535 level. A production cut in Chile, and increasing manufacturing activity in prominent economies is likely to support the demand for industrial metals. The markets may trade in a range, as the key consumer, China, is having a holiday from October 1 to 8.
- ▲ Chile's copper production fell 6.2% year-on-year to 481,700 tonnes in August 2020; however, the January-August output of 3.78 million tonnes, was up 0.4%. Output at Codelco, inched up 0.1% year-on-year, to 154,800 tonnes, for the month, and Escondido output fell 11% year-on-year, to 92,200 tons. It was up 2.8% for the first eight months of the year. Collahuasi posted a 19% year-on-year increase in production to 60,000 tons.
- ▲ Meanwhile as per a Reuters report, Japan's copper output in the second half of the 2020/21 financial year will rise 2.1% year-on-year. Solid exports to the top buyer, China, will help outweigh the pandemic-hit local demand in Japan. Japan's production of wrought copper products is predicted to sink 15.6% in the current financial year, hitting the lowest since 1975, due to the COVID-19 crisis, while the country's copper electric wire shipment is forecast to fall 10.8%.
- ▲ Copper inventory at LME monitored warehouses have dipped a modest 1,150 mt as of October 2, but the most recent sessions have witnessed hefty flows in such warehouses. Total LME-registered stocks stood at 164,450 mt on October 2. They started the year 2020 at 144,675 mt, and hit a peak of 282,75 mt in May.
- ▲ Meanwhile, US economic data released on Friday was mixed for copper demand.

Outlook

- ▲ Copper prices are likely to find support on the back of a production drop in Chile, and increasing manufacturing activity globally. Copper may find support near the 100-days EMA at 6,315, whereas a critical resistance is seen near the 6,779 level.

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