
Rupee weakens along with emerging Asian currencies on doubts over US-China trade talks
Fear of a global economic slowdown to keep oil prices lower
Gold prices in a range of \$1,500-\$1,525 per ounce as markets await US-China trade negotiations
Copper recovered after the US unemployment rate data which dropped to a near 50-year low

RUPEE WEAKENS ALONG WITH EMERGING ASIAN CURRENCIES ON DOUBTS OVER US-CHINA TRADE TALKS

- ▲ The Indian rupee weakened along with other emerging Asian currencies against the US dollar as fresh doubts over US-China trade talks resurfaced.
- ▲ China may be reluctant on agreeing to a broad deal.
- ▲ RBI sounded extremely dovish by maintaining the policy stance to accommodative and cutting the repo rate by 25 bps as per the market expectations. The Committee revised the GDP target for FY20 to 6.1 per cent from 6.9 per cent earlier. Liquidity conditions have improved but transmission remains slow because of various trust factors among NBFC's.
- ▲ Minor recovery in equities along with weakness in crude oil prices is supporting the Indian rupee.

FII and DII Data

- ▲ Foreign Funds (FII's) sold shares worth Rs. 6,82.93 crores, while Domestic Institutional Investors (DII's) sold shares to the tune of Rs. 606.28 crores on October 4th.
- ▲ In Sept'19, FII's net sold shares worth Rs. 6,624.05 crores, while DII's were net buyers to the tune of Rs. 12,490.8 crores.

Outlook

- ▲ Rupee to trade in a broader range of 71.50-70.50. Weakness in the Yuan and a sell-off in Asian equities is the prime reason for the weakness in the Indian rupee. FII outflows continued in the first week of October and the government initiative for a corporate tax cut is unable to cheer FII's. The Rupee may recover towards 70.40-70.00 levels against the US dollar in the short term if the government takes more measures to tackle the slowdown in economy. Any positive outcome from US-China trade talks and dovish policy by other central banks could improve sentiment at home and FII inflows could improve in the future. The RBI sounded extremely dovish by cutting the rate by 25 bps and maintaining the stance as accommodative.

FEAR OF A GLOBAL ECONOMIC SLOWDOWN TO KEEP OIL PRICES LOWER

- ▲ Oil prices to remain lower fearing a global economic slowdown, which will reduce oil demand.
- ▲ Only hope remains of progress in US-China trade talks, which could revise sentiments. The US and Chinese officials will meet in Washington on Oct. 10-11 in a much-anticipated fresh effort to work out a deal.
- ▲ Disappointing manufacturing data from the US and China to hurt global growth and this raises the risk of a recession.
- ▲ Faster-than-expected resumption in Saudi Arabia's production after a Sept. 14 attack supported a downward pressure on oil prices, although the Middle East still remained tense.
- ▲ In Iraq, a deadly anti-government unrest is posing the biggest security and political challenge so far to Prime Minister Adel Abdul Mahdi's year-old government. If the situation turns worse, the oil supply will be affected.
- ▲ Global supply faces facility repairs and maintenance pressures. The Buzzard oil field in the British North Sea has been shut for pipe repair work. Libya's National Oil Corporation (NOC) will close the Faregh oil field at Zueitina port for scheduled maintenance from Monday until Oct. 14.
- ▲ Crude oil prices fell last week after the EIA (Energy Information Administration) reported an inventory build of 3.1 million barrels for the week ending September 27 against market expectations of a 1.5 million build.

Outlook

- ▲ Weak economic data from the US and Europe increased the gloomy outlook for oil demand, and this will keep oil prices under pressure. A fresh trade war between the EU and the US has increased the risk sentiment for a slowdown in the global economy. We can see selling near resistance levels, however

rising tensions in the Middle East post the Aramco attack and any positive resolution to the 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.

GOLD PRICES IN A RANGE OF \$1,500-\$1,525 PER OUNCE AS MARKETS AWAIT US-CHINA TRADE NEGOTIATIONS

- ▲ Uncertainty over a deal between the US and China could provide support to gold prices. The next round of US-China trade negotiations is likely to be held later this week.
- ▲ China's foreign exchange reserves fell more than expected in September amidst a cooling domestic economy and rising trade tensions. China added 100 tons of gold since December. The PBOC's run of bullion-buying has come against the challenging backdrop of the trade war with the US and a marked slowdown in growth at home.
- ▲ Possibility of another rate cut by the US Fed after jobs data is keeping gold prices firm. Jobs growth in the United States slowed in September and wage growth stalled. However, the US unemployment dropped to a 50-year low. The Fed will likely cut interest rates by 25 bps at its next policy review on Oct. 29-30 to support the economy.
- ▲ The Trump administration put 25% tariffs on various EU and Italian goods. The duties are set to take effect on Oct. 18. Gold found support on US tariff war against EU after WTO judgment.

Outlook

- ▲ Gold bounced on poor US service jobs data and tariffs on the EU. Weak economic data reinforced global economic slowdown fears. Eyes are now on monthly non-farm payroll data later today. CME Gold futures contracts could find support near \$1,492-1,464 per ounce, while key resistance could be seen around \$1,526-1,544 levels. Geopolitical issues across the globe and trade tensions could provide support to gold prices.

COPPER RECOVERED AFTER THE US UNEMPLOYMENT RATE DATA WHICH DROPPED TO A NEAR 50-YEAR LOW

- ▲ Copper prices remained firm after strong US jobs data eased fears of a possible recession. The US unemployment rate dropped to a near 50-year low of 3.5% in September. Eyes are on the latest round of US-China trade talks which are scheduled to resume on Oct. 10-11.
- ▲ President Donald Trump has said that US had a "very good chance" of making a trade deal with China.
- ▲ Still, talks may not go smoothly as expected. Chinese officials are signaling that they are increasingly reluctant to agree to a broad trade deal pursued by U.S. President Donald Trump.
- ▲ Copper supply to remain higher as on-warrant stocks of copper in LME-registered warehouses jumped to 194,875 tonnes, the highest since September 20.
- ▲ 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.
- ▲ 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.

Outlook

- ▲ Poor demand outlook is keeping copper prices under pressure and may find an important support around \$5,580-5,516 per ton, while key resistance can be seen around \$5,770-\$6,036 levels. Trade talks between the US and China are set to resume on Oct. 10-11 in Washington, which could provide further direction to copper prices.

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