
Copper prices fell as stimulus hopes faded away

Gold prices to remain volatile

Hurricane Delta in the Gulf of Mexico will force some US crude production to shut down

COPPER PRICES FELL AS STIMULUS HOPES FADED AWAY

- ▲ Copper prices dropped, after U.S. President Donald Trump halted negotiations with the U.S. Congress on a large coronavirus stimulus bill. President Trump halted negotiations with Democratic leaders on a new fiscal relief package.
- ▲ Meanwhile, Federal Reserve Chairman, Jerome Powell issued a fresh warning of a weak U.S. recovery without sufficient government support, which also added to the pressure on industrial metals.
- ▲ Copper is likely to get further direction from ongoing wage talks in Chile. One of the main unions at Lundin Mining's Candelaria copper mine will vote on the latest wage offer on Wednesday and Thursday. Lundin Mining "is willing and available to continue dialogue with the Mina Union until a mutual agreement is reached," the company said.
- ▲ Copper inventory at LME monitored warehouses dipped by 4,750 mt as on October 6, but recent sessions have witnessed hefty flow in the warehouses. In the last one month, LME copper inventory has increased by 73,675 mt, which is 47% of total LME-registered stocks at 156,125 mt on October 6.

Outlook

- ▲ LME 3M Copper prices are likely to find support around the 100-days EMA at \$6,322 per ton, while a key resistance level is seen near \$6,609 per ton.

GOLD PRICES TO REMAIN VOLATILE

- ▲ Gold prices are holding near the \$1,890 level, after a sharp decline from yesterday's high of 1,927. Selling was triggered after the US President called off negotiations for a stimulus package. Volatile moves can be seen in gold, following uncertainty around the US presidential election.
- ▲ Meanwhile, top US and European central bankers on Tuesday called for renewed government spending to support families and businesses hit by the pandemic. Dovish global central bank comments are likely to support gold prices. St. Louis Fed President, Bullard, has said that he does not see the Fed changing its monetary policy stance through 2021. Also, ECB Governing Council member, Hernandez de Cos, has said, "We should maintain significant monetary stimulus until we ensure that the recovery is on solid footing."
- ▲ Gold prices are likely to get further direction from the Fed meeting minutes for September 15-16 policy meeting, which will be released later today.
- ▲ On the economic data front, the U.S. August JOLTS job openings fell -204,000 to 6.493 million, showing a slightly weaker labour market than expectations for a decline to 6.500 million. Also, the August trade deficit of -\$67.1 billion was wider than expectations of -\$66.2 billion, and was the largest deficit in 14 years.
- ▲ According to media reports, India's gold imports in September fell 59% from a year earlier, to their lowest level in four months. India imported around 11 tonnes of gold in September, down from 27 tonnes a year ago. The silver imports in the month plunged 93% from a year ago, to 20 tonnes.

Outlook

- ▲ Gold prices may remain volatile due to the ongoing speculation over stimulus and the presidential election. Meanwhile, it may find support from dovish comments from central banks. We may see support around the 100-days EMA at \$1,874 per ounce. Meanwhile, a key resistance could be seen at the 50-days EMA at \$1,915 per ounce.

HURRICANE DELTA IN THE GULF OF MEXICO WILL FORCE SOME U.S. CRUDE PRODUCTION TO SHUT DOWN

- ▲ Crude oil prices rallied as Hurricane Delta (in the Gulf of Mexico) is likely to force some U.S. crude production in the Gulf to shut down. Hurricane Delta strengthened to a Category 4 hurricane on Tuesday, and is expected to hit the Yucatan peninsula on Wednesday, before it churns north through the Gulf of Mexico. Accuweather has said on Tuesday that tropical storm Delta should make landfall late Thursday, or early Friday, between Louisiana and Florida.
- ▲ Crude prices also found support, after Saudi Arabia, on Tuesday, raised the pricing of its crude oil to its Asian customers for November delivery, the first price increase since August. Saudi Aramco raised pricing for Arab Light crude for Asia by 10 cents a barrel, to 40 cents below the benchmark. Saudi Arabia's pricing decision usually sets the tone for other Middle Eastern suppliers, including Iraq and the United Arab Emirates.
- ▲ The U.S. Energy Information Administration reduced its 2020 forecasts for U.S. and global benchmark oil prices, but raised its U.S. crude production outlook for this year, according to the Short-Term Energy Outlook. The EIA cut its 2020 West Texas Intermediate crude price forecast to \$38.76 a barrel, down 0.6% from the September forecast. It expects 2021 prices to average \$44.72, down 0.8% from the previous forecast. For Brent crude, it also lowered this year's forecast by 1.7%, to \$41.19, and next year's by 4.1%, to \$47.07. The EIA has said that it expects domestic US oil production to average 11.45 million barrels per day this year, up 0.6% from the previous view, but it left the 2021 forecast unchanged at 11.09 million barrels per day.
- ▲ The EIA forecasts that global consumption of petroleum and liquid fuels will average 92.8 million bpd for all of 2020, down by 8.6 million bpd from 2019, before increasing by 6.3 million bpd in 2021.
- ▲ Meanwhile, U.S economic data was negative for energy demand and crude prices.

Outlook

- ▲ Crude oil prices rallied on hurricane Delta news and Saudi Arabia increasing prices for Asians buyers. Still, crude oil will find stiff resistance from the demand-supply imbalance. Weakness in world energy demand, due to the coronavirus pandemic, is likely to keep a lid on the recent rally, along with increasing oil supplies from U.S. and OPEC+ members. WTI crude oil prices are likely to find support around \$38.45-37.80 per barrel. Meanwhile, stiff resistance could be seen around \$41.97-43.08 per barrel.

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