

Crude halts rally on speculation of US waiver on Iranian crude oil sanction

- U.S. government official quoted saying, the country could consider exemptions for nations that have already shown efforts to reduce their imports of Iranian oil.
- U.S. sanctions will take effect on Iran's crude oil exports from November 4th, and president Trump has been putting pressure on governments and companies worldwide to cut their imports to zero.
- India will import 9 million barrels of crude in November from Iran as quoted by Reuters though India was earlier importing 0.65 million barrel per day of Iranian crude during April to August month this year, though preliminary data suggest they have reduced it to 0.36 million barrel per day in September and October.
- The U.S. oil drilling rig count fell for a third consecutive week by two while natural gas rig count were steady at 189, bringing the total oil rig count down to 861
- Speculative net short position increased by 11176 contract to 548909 total for WTI crude on Nymex for the week ended 2 Oct.

Outlook: Brent oil has broken last four days low and key support level of 83.90 and is unable to sustain at higher levels following a bearish pattern of lower high and lower lows indicating further weakness in near term. Immediate recovery towards recent high of 86.78 is only seen on if it trades above 85.40. Further weakness is likely on the break of 82.88 towards 80.48 i.e. 38.2% Fibonacci retracement level of current rally from 70.40-86.74.

Gold drops as dollar rises on historical lowest un-employment rate

- International gold prices dropped below \$1200 after mixed US economic data. US dollar index trading above 95.5 as nonfarm employment dropped to 137K from estimates of 185K, though positive un-employment rate at 3.7% was supportive (expected of 3.8%). Job growth was expected to dropped in September due to Hurricane Florence.
- Gold prices are in negative territory since hawkish fed comments; dollar is rising on robust economic data. Federal Reserve is expected to increase interest rates again in December and beyond.
- CME Gold speculative short position increased by 4174 to 21822 contract during the week ended of 2nd October 2018
- Market could remain sideways as US markets are shut on account of Columbus Day holiday.

Outlook: Gold is locked in the tight trading range of \$1218 -\$1180 per ounce from last several weeks and a further move is expected only on a breakout beyond these levels. Immediate support levels are seen at \$1180 and \$1161 per ounce while major resistance is seen near \$1235 per ounce above \$1218 per ounce.

Aluminum declines sharply as Norsk Hydro could start at 50% capacity

- Aluminum dropped about 2.5% to \$2,073/ton on the London Metal Exchange after Norsk Hydro said on Saturday it's ready to restart the world's biggest alumina refinery at 50% capacity
- Prime Minister Justin Trudeau said, Negotiations will continue in the coming "weeks and months" to remove U.S. Section 232 tariffs on aluminum & steel, and Canada's retaliatory tariffs.
- "We continue to work very hard on reducing these tariff barriers, particularly on steel and aluminum", Canada hopes to "move beyond these 232 tariffs"
- LME Aluminum inventories continue to remain at lowest level since 2008, indicating tight physical markets, which is likely to lend support to the metal. This decline seems to be a knee jerk reaction to the Norsk Hydro news and the metal is likely to find support near current levels.
- US Bond yields have strengthened after the Fed's comments about the positive economic outlook, indicating further rate hikes. This has had a negative impact on all base metals & commodities.

Outlook: LME 3M Aluminum is trading at \$2075 per ton, it has declined sharply from \$2263 levels. Currently it is at its 20-day SMA suggesting it could find some support at current levels. We expect it to find buying near current levels and bounce towards \$2130 and then trade in the \$2130-\$2000 range in the coming week.

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