
Rupee firm on hope that government may roll back surcharge on FPIs
Gold prices are high as US is delaying a decision on allowing companies to do business with China's Huawei
Uncertainty over Indonesian supply ban keeps Nickel at 16months high
Iron ore extended selling on China's weak demand and inventory built up
Fear of global slowdown and built-in US oil inventory kept Brent oil prices under pressure

RUPEE FIRM ON HOPE THAT GOVERNMENT MAY ROLL BACK SURCHARGE ON FPIS

- ▲ Indian rupee gain strength on hope that the government may roll back the surcharge on foreign funds announced in the budget this year. Rupee also getting support from weakness in crude oil prices and RBI rate cut recently.
- ▲ RBI has cut interest rates more aggressively than expected, Benchmark rates are now at their lowest levels since April 2010. The RBI rate cut is balanced between 25 bps and 50 bps, but we expect the Central bank to cut rates by another 25 bps in the current year and also expect interest rates to remain lower for a longer period going forward.
- ▲ The RBI's lowering of the growth forecast to 6.9% from 7% with downside risk is an indication that the economy is not in good shape. The RBI has kept the inflation forecast lower. The RBI is giving high priority to boost demand and reduce the risk weight on consumer loans other than credit card bills.
- ▲ Crude Oil dives on fears of a global slowdown amid escalating US China trade war and higher oil production.

FII and DII Data

- ▲ Foreign Funds (FII's) sold shares worth Rs.437.4 Crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs.291.29 crore on August 8
- ▲ In Aug'19, FII's net sold shares worth Rs. 8890.3 crores, while DII's were net buyers to the tune of Rs.8357.1 crores.

Outlook

- ▲ Since July, Heavy FIIs outflow continued, FIIs sold Rs.16870 crore worth of equities in July while they sold Rs.8890.3 crore worth of equities in the first five days of August. Domestic institutional investors remained supportive and infused a total of Rs.28751 crore into domestic equities in July and August. Indian rupee may remain negative above 70 following the similar trend of other Asian currencies. Weakness in Crude oil prices may limit rupee losses for the short term.

GOLD PRICES ARE HIGH AS US IS DELAYING A DECISION ON ALLOWING COMPANIES TO DO BUSINESS WITH CHINA'S HUAWEI

- ▲ Gold holding above the key \$1,500 per ounce as fresh concerns about the U.S.-China trade dispute and worries over global economic slowdown increasing safe haven demand for precious metals
- ▲ Gold got a boost amid worries over the global economy, as U.S.-China trade war intensified and several central banks around the world cut interest rates.
- ▲ Central Bank rate cut - The Reserve Bank of New Zealand cut its interest rate by a half percentage point to a record low of 1%. The Reserve Bank of India ended up doing so by a larger-than-expected rate cut that is 35 basis points. Thai central bank unexpectedly cut its key rate by 25bp, worried by baht strength.
- ▲ Gold also rallied as the tariffs may force the Federal Reserve to further cut interest rates to protect the U.S. economy from trade-policy risks. U.S. July employment numbers also showed a slowdown in hiring, which also supports the case for an interest rate cut.
- ▲ SPDR Gold Trust's holdings fell 0.66% to 839.85 tonnes on Thursday from 845.42 tonnes on Wednesday.

Outlook

- ▲ Gold prices rallied after China said to retaliate over the tariff and unexpected interest rate cut by many central banks around the globe. CME gold may face minor resistance near \$1532 per ounce while the key support level is seen around \$1497 per ounce. We expect gold to remain firm on various economic issues across the globe, although mild profit booking rallies may keep prices under pressure near key resistance levels.

UNCERTAINTY OVER INDONESIAN SUPPLY BAN KEEPS NICKEL AT 16MONTHS HIGH

- ▲ Nickel prices rallied to multi-month highs in 16 months on supply concerns in Indonesia. Indonesia relaxed a ban to export nickel ore in 2017 but said that exports will be restricted again in 2022.
- ▲ The discount for cash nickel against three-month metal on the LME has shrunk to \$US7 a tonne from about \$US80 in June, pointing to lower supply in near future.
- ▲ Stocks of nickel in LME-registered warehouses have fallen to 140,000 tonnes from around 370,000 tonnes at the start of 2018, the lowest level since 2013.

IRON ORE EXTENDED SELLING ON CHINA'S WEAK DEMAND AND INVENTORY BUILT UP

- ▲ China's iron ore futures were on course for their biggest weekly drop since March 2018 amid stable supply from major miners.
- ▲ Iron ore inventory at Chinese port has climbed to 121.05 million tonnes this week, up 5% from the 1-1/2-year low level of 115.25 million Ton in late June.
- ▲ Demand outlook pushed Chinese steel and Iron ore prices lower, the Yuan's weakening added to market jitters.
- ▲ China iron ore futures outlook fell for its demand turned negative and steel inventory has piled up due to slower consumption.
- ▲ Steel futures were also under pressure anticipating weak global economic growth under high tariff scenario post-US-China trade war escalation.
- ▲ Washington has accused Beijing of manipulating its currency after China let the Yuan drop to its lowest point in more than a decade.

FEAR OF GLOBAL SLOWDOWN AND BUILT-IN US OIL INVENTORY KEPT BRENT OIL PRICES UNDER PRESSURE

- ▲ Fear of global slowdown and built-in US oil inventory kept Brent oil prices under pressure but prices got some support from the expectations of more OPEC production cuts.
- ▲ Saudi Arabia leader of OPEC plans to maintain its crude oil exports below 7 million barrels per day in August and September to bring the market back to balance. Saudi's production in September may remain lower than it is currently. OPEC and non-OPEC ministerial monitoring committee would meet in Abu Dhabi on Sept. 12 to review the oil market.
- ▲ EIA report showed a build of 2.4 million barrels in U.S. stockpiles against of the 2.8 million draw expectations. U.S. crude oil inventories are about 2% above the five-year average compared to same time of the year.
- ▲ U.S. crude oil production will reach record high in 2019 and 2020. According to the EIA's latest Short-Term Energy Outlook, U.S. crude oil production will average 12.3 million barrels per day (b/d) in 2019 and 13.3 million b/d in 2020, both of which would be at its highest levels.
- ▲ Oil may remain under pressure amid concerns about weaker demand after US President Donald Trump said that he would impose tariffs on more Chinese imports. China also responded that it will imply retaliatory tariff after the US implements these tariffs.

Outlook

- ▲ Brent oil is looking weak following US oil production expectation which will increase supply situation despite OPEC production cut, along with escalating tension between US-China will reduce oil demand. Brent oil may drop further towards \$55-54 per barrel in the near term, inventory built-up in US and demand worries will keep prices under pressure in the near term, although counter may receive some support from OPEC measure to keep oil market in balance through production levels. OPEC and non-OPEC ministerial monitoring committee would meet in Abu Dhabi on Sept. 12 to review the oil market.

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