
Copper holds in a range near 5,700 ahead of crucial US-China trade talks this week
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Copper holds in a range near 5,700 ahead of crucial US-China trade talks this week

- ▲ Copper trades in a tight range around 5,700. The US and China are due to have their first minister-level talks on Thursday trying to end a 15-month long trade dispute that has hurt the global economy.
- ▲ 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. The United States on Tuesday imposed visa restrictions on Chinese officials for the detention or abuse of Muslim minorities, and this has increased tensions.
- ▲ Copper prices found support from strong US jobs data and this has eased fears of a possible recession. The US unemployment rate dropped to a near 50-year low of 3.5% in September.
- ▲ 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.
- ▲ German industrial output rose unexpectedly in August, but still the economy remains at a risk of recession as PMI data indicated a slowdown in manufacturing activity.
- ▲ IMF head Kristalina Georgieva has said that the global economy is experiencing a "synchronized slowdown," and has also warned that it would worsen if governments failed to resolve trade conflicts and support growth.

Outlook

- ▲ Poor demand outlook is keeping copper prices under pressure and may find an important support around \$5,580-5,516 per ton, while a 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.

US crude production is expected to rise by 1.27 million barrels per day (bpd) in 2019: EIA

- ▲ The US Energy Information Administration (EIA) expects crude production to rise by 1.27 million barrels per day (bpd) in 2019 to a record 12.26 million bpd, which is slightly above its previous forecast of a rise of 1.25 million bpd.
- ▲ Output in 2020 is forecast to rise by 910,000 bpd to 13.17 million bpd, according to the EIA, lower than its previous estimate of a rise of 990,000 bpd to 13.23 million bpd.
- ▲ The EIA reduced U.S. demand forecast for 2019 to an increase of 40,000 bpd to 20.54 million bpd from a forecast last month for a rise of 140,000 bpd. The EIA also cut its 2020 world oil demand growth forecast by 100,000 bpd to 1.30 million bpd.
- ▲ The American Petroleum Institute (API) reported a build of 4.1 million barrels to crude oil supplies for the week ending October 4. EIA will release its weekly inventory report later today.
- ▲ 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.
- ▲ 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.

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 firm as Federal Reserve Chair Jerome Powell signaled further interest rate cuts

- ▲ Federal Reserve chairman Jerome Powell said repeatedly that he believes the economy is strong while the Fed is prepared to do to act "as appropriate" to sustain the decade-long expansion. Gold would find support on another rate cut by the US Federal Reserve. The Fed is likely to cut interest rates by 25 bps at its next policy review on Oct. 29-30 to support the economy.
- ▲ Uncertainty over a deal between the US and China could provide support to gold prices. U.S. President Donald Trump has said that the tariffs on Chinese imports will rise on Oct. 15 if no progress is made in the negotiations. The next round of US-China trade negotiations is likely to be held from October 10-11.
- ▲ British Prime Minister Boris Johnson made a final Brexit offer to the EU and proposed a final last-minute exit deal that was cautiously welcomed by the EU. Prime Minister Boris Johnson is facing a new rebellion from his cabinet over concerns of a no-deal Brexit, with a group of cabinet ministers poised to resign.

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.

Rupee trades in a range , US-China trade talks are in focus

- ▲ 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. Both nations are meeting on October 10-11 to discuss bilateral tariff issues further.
- ▲ 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.

FII and DII Data

- ▲ Foreign Funds (FII's) sold shares worth Rs. 494.21 crores, while Domestic Institutional Investors (DII's) sold shares to the tune of Rs. 904.82 crores on October 7th.
- ▲ 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 the economy. Any positive outcome from the US-China trade talks and a 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.

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