
Gold firm on the possibility of a monetary easing policy by major central banks
Copper prices corrected marginally following a drop in China's exports data
The Indian rupee appreciated against the dollar following a recovery in the Yuan and equities
Saudi Arabia signals to continue with OPEC's oil production cut

GOLD FIRM ON THE POSSIBILITY OF A MONETARY EASING POLICY BY MAJOR CENTRAL BANKS

- ▲ Gold prices are marginally up on expectations of a monetary policy easing by major central banks. However, a rally in equities has kept the gains limited.
- ▲ U.S. job growth slowed more than expected in August, but strong wage gains should support consumer spending and keep the economy expanding moderately.
- ▲ Global equity markets recovered following the Chinese central bank's stance to reduce cash reserve holdings by banks to enhance liquidity.
- ▲ Gold should also receive support from China's exports data. Exports unexpectedly fell in August as shipments to the US plummeted, pointing towards weakness in the economy and underlining the need for more economic stimulus.
- ▲ There is a high possibility that the US Federal Reserve may cut interest rates by 25 bps in the September month's meeting next week, which will keep gold prices supported at lower levels. Federal Reserve Chair Jerome Powell said that the US central bank would continue to act "as appropriate" to sustain the economic expansion. Lower interest rates reduce the opportunity cost of holding non-yielding gold.
- ▲ Bond yields are lower and keeping gold prices firm. Central banks across the globe look set to remain on a dovish path. The European Central Bank's meeting is scheduled for September 12th amidst hopes that it would cut interest rates.
- ▲ Hedge funds and money managers increased bullish positions in COMEX gold. COMEX gold speculators raised net long positions by 2,858 contracts to 290,709 in the week ending September 3.
- ▲ China's gold reserves were ramped up to 62.45 million fine troy ounces at the end of August, up 4.85% from 59.56 million ounces at the end of last year. The value of its gold reserves rose to US\$95.45 billion at the end of August from US\$87.876 billion at the end of July.

Outlook

- ▲ Gold corrected as optimism over US-China trade talks grows further. Gold has rallied in the last one month on fears of a recession amidst uncertainties in the US-China trade dispute and Brexit delay over political turmoil in the UK, but sentiments changed later after the US & China agreed to talk again in October to discuss trade issues. There is a high possibility that the US Federal Reserve may cut interest rates by 25 bps in the September month's meeting, which will keep gold prices firm over the short term. We expect gold to find a stiff resistance near \$1,568-1,583 levels, while an immediate support level can be seen around \$1,501-1,488 per ounce.

COPPER PRICES CORRECTED MARGINALLY FOLLOWING A DROP IN CHINA'S EXPORTS DATA

- ▲ Copper prices corrected marginally following a drop in Chinese exports in August. China's August exports fell 1% from a year earlier against market expectations of a rise of 2% for the same period.
- ▲ China's unwrought copper imports also declined in August after a bounce in the previous month. China's August imports of unwrought copper, including anode, refined and semi-finished copper products, fell 3.8% year-on-year to 404,000 tonnes, while imports of copper concentrate rose 9.3% annually to 1.8 million tonnes.
- ▲ Japan's GDP for the April to June quarter saw 1.3% in annualized growth; it was lower than the initial estimate of a 1.8% expansion, but matched market expectations.
- ▲ Hedge funds and money managers upped their short positions by 576 contracts to 71,379 in the week ending September 3, according to the weekly CFTC report.
- ▲ Copper bounced last week after China and the United States agreed to hold trade talks next month,

which revives hopes for an end to the tariffs issue that has weakened global economic growth and consumption of industrial metals.

- China's central bank is cutting the Reserve Requirement Ratio (RRR), releasing 900 billion Yuan (\$126.35 billion) in liquidity to shore up the flagging economy. More RRR cuts can be seen in China in the next quarter.

Outlook

- LME 3M Copper contracts bounced from the support level near \$5,520 following US-China trade talks optimism, tight supply in LME warehouses and improved demand in China over increasing import premium. The optimism over US-China trade talks could improve sentiments for metal prices along with RRR cuts decision, which will improve the demand for base metals. We expect copper to remain firm in the near term, although LME Copper could face resistance around 5,865-6,064 levels in the near term.

THE INDIAN RUPEE APPRECIATED AGAINST THE DOLLAR FOLLOWING A RECOVERY IN THE YUAN AND EQUITIES

- The Rupee recovered following higher equities and a recovery in the Yuan. China's easing monetary policy and rate cut hopes by the US Fed have improved sentiments. The People's Bank of China on Friday slashed the RRR to enhance liquidity into the system.
- Japan's economy grew at an annualized 1.3% in the April to June quarter, and this supported Asian equities and currencies.
- The Indian rupee regained strength against the US dollar following a recovery in domestic equities, but sentiments are still negative over higher crude oil prices and FII outflows.

FII and DII Data

- Foreign Funds (FII's) sold shares worth Rs. 957.05 crores, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs. 1,207.20 crores on September 6.
- In Sept'19, FII's net sold shares worth Rs. 5,272.9 crores, while DII's were net buyers to the tune of Rs. 4,462.4 crores. The outflow of foreign investors from Indian markets continued in the months since May'19.

Outlook

- The Indian rupee may trade in a wide range of 71.40-72.60 following mixed signals of rising crude oil prices and optimism over US-China trade talks. The rupee is under pressure due to a slowdown in the domestic economy. A recent release of GDP data indicates that the economy is not on the right path. Recently announced measures by the Finance Minister have failed to boost investors and FII flows have not improved since July'19.
- Rating agencies Moody's and Crisil have decreased their growth forecast for India. The RBI is projected to announce more rate cuts in the coming months to prevent a slowdown and boost consumption. The Government is also taking necessary steps to increase demand, but still more steps are needed to improve sentiments.

SAUDI ARABIA SIGNALS TO CONTINUE WITH OPEC'S OIL PRODUCTION CUT

- Oil prices continued their uptrend after Saudi Arabia signals OPEC cuts to continue. UAE signaled that OPEC and its allies are committed to balancing the crude market.
- The total number of active oil rigs in the United States decreased by 4 according to the report, reaching 738. The number of active gas rigs decreased by 2 to reach 160. Oil rigs have seen a loss of 122 rigs year-on-year, with gas rigs down 26 since this time last year.
- US weekly oil production is still near an all-time high despite the declining rig count, at 12.4 million bpd for the week ending August 30.
- Iraq's oil production was at 4.88 million barrels per day (bpd) in August. Iraq's crude oil exports also increased to 3.6 million bpd in August from 3.56 million bpd the previous month, according to its oil ministry.
- China's crude oil imports gained about 3% in August from a month earlier. Shipments of crude oil last month were recorded at 42.17 million tonnes, compared to 41.04 million tonnes in July.
- Oil speculators cut WTI net long positions by 17,753 contracts to 179,301 in the week ending September 3, according to a CFTC report.
- Optimism over US-China trade talks and a drop in US oil inventory pushed oil prices higher; crude stocks dropped 4.8 million barrels against the market expectations of a 2.5 million barrels drop.
- Oil prices may remain firm on optimism over US-China trade talks. Both countries have planned to meet again in October to continue talks over tariffs.

Outlook

- Brent oil bounced from support near 57.60 - 57.20 levels. An immediate resistance can be seen around 64.24-65.47 levels. Optimism over US-China tariff negotiations improved after both countries decided to meet further in October. Oil demand could improve if the US & China settle tariff issues. China is also stimulating its economy from many preventive measures such as interest rate adjustments.
- The global economy could recover from a slowdown if US-China trade talks settle and major economies take preventive measures. A drop in US oil inventory supported the oil prices last week along with Saudi comments on OPEC production, but higher oil production by the US, Iraq and Russia in August prevented a further rally in crude oil.

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