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Lead experiencing some correction after a smart rally  
Safe-haven demand holding gold near record highs  
Crude oil is range-bound

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## LEAD EXPERIENCING SOME CORRECTION AFTER A SMART RALLY

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- Operating rates for primary lead smelters in top lead producing smelters increased by 2.47% to 72.1% for the week ended 7th August from the previous week. The operating rates for secondary lead smelters was down by 0.20% to 54.2% from the previous week; secondary lead smelters recycle used lead, including those found in car batteries. Good operating rates at the secondary smelters indicate that the recycle industry has picked up.
- China's primary lead output declined by 10,000 mt in July 2020, thereby ending four consecutive months of increase in production. According to SMM data, China produced 259,000 mt of primary lead in July, which is 3.82% lower, month-on-month, but up 17.3%, year-on-year.
- Parity, which is the difference between the SHFE and the LME, after calculating for the VAT and the currency, is currently trading at 1,195 Yuan, indicating a strong trend for Chinese lead, driven by fundamental demand for the metal.

### Outlook

- Lead is correcting after a smart rally, though the medium-term trend remains positive; some correction cannot be ruled out, and it is likely to find buyers on declines. The metal on a decline could find support at \$1,890 & \$1,870 levels, from where a rebound can be expected.

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## SAFE-HAVEN DEMAND HOLDING GOLD NEAR RECORD HIGHS

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- In a latest development, Hong Kong's media tycoon has been arrested under the new security law; this is likely to support gold prices, as tensions simmer. This comes days after United States government announced sanctions on mainland Chinese officials and Hong Kong officials.
- Gold is trading near its all-time peak, as demand was also supported by weakness in the US Dollar against other currencies, and worries over the global economic slowdown, due to rising COVID-19 cases. Coronavirus cases continue to rise across the globe. More than 19.80 million people have been infected by the coronavirus globally.
- On the US data front, the United States non-farm payroll added 1.763 million jobs in July, against expected 1.600 million jobs, while in the previous month, 4.800 million jobs were added; the unemployment rate stood at 10.2%, against an expected 10.5%, while the previous months unemployment rate stood at 11.1%

### Outlook

- Gold prices are likely to remain firm on expectations of a stimulus in the US, and safe-haven demand, due to the coronavirus pandemic. Gold could find immediate support near \$2,008, and \$1,990 levels; meanwhile key resistance levels could be seen at \$2,100 and \$2,120 levels.

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## CRUDE OIL IS RANGE-BOUND

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- ▲ Crude oil prices continue to trade sideways since the past few trading sessions, as demand concerns persists due to increasing covid-19 cases.
- ▲ Saudi Arabia's state oil company Aramco, reported its second quarter results on Sunday; the company's profits plunged 73.4%, hit hard by the spread of covid-19. However, a partial recovery in demand could be seen, as restrictions around the globe ease from strict lockdowns to a phased unlocking.
- ▲ Iraq has said on Friday that it would cut its oil output by a further 400,000 barrels per day in August and September to compensate for its overproduction in the past three months. This could help the country comply with its share of cuts by the OPEC (Organization of the Petroleum Exporting Countries), and their allies.
- ▲ OPEC's decision to reduce production cuts from August could backfire, due to the rising number of coronavirus cases. The Organization of Petroleum Exporting Countries (OPEC), and its allies agreed to lower their current crude oil production cut level to 7.7 million barrels per day (bpd), starting in August, from the existing 9.7 million bpd.

## Outlook

- ▲ Crude oil prices are likely to face a stiff resistance near the \$43.57 level, as the demand outlook remains uncertain, and OPEC supplies may create a demand-supply imbalance. Meanwhile, support is seen at 39.77, and 31.33 levels.

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