High bond yield-a key reason behind Dow sell off

- FOMC raised interest rates and market anticipation of December rate hike resulted in high bond yields from last two weeks.
- Positive economic data increase demand for lending though high bond yield makes borrowing more expensive
- Company profits will be squeezed by rising input cost due to higher oil prices and high borrowing cost, which is a cause of concern
- Trump on rate hike - "I think the Fed is making a mistake. They are so tight. I think the Fed has gone crazy,"
- Fears about rapidly rising rates caused the Dow Jones Industrial Average to drop more than 800 points on Wednesday.

Crude slips on rising inventory, Sell off in equity and easing hurricane Michael

- Hurricane 'Michael' is likely to spare oil assets from significant damage, 42% of daily oil production in Gulf of Mexico is affected, nearly 700k barrel per day. Gulf of Mexico is comparatively small portion of total US production and down time is expected to be smaller then anticipated.
- Equity sell off which started from America is spreading across the globe, also putting pressure on oil prices
- Oil prices also fell as US crude inventory rose more than expected. Total US Crude inventory rose be 9.7 million barrel, Crude stocks at the Cushing, Oklahoma, and delivery hub rose by 2.2 million barrel, as reported by API
- US crude oil inventory data will be released on Thursday, market forecasts an increase of 2.50 million barrel and U.S. oil output is expected to rise 1.39 million bpd to a record 10.74 million bpd

Outlook: Brent oil dropped from yesterday's high of 85.17 and broke key support level of 82.52 as suggested in previous report, crude is likely to decline towards 80.48 i.e. 38.2% Fibonacci retracement level of current rally from 70.40-86.74.

Gold is trading above $1200 per ounce as equities slide, dollar weak

- US dollar index weakened on equity sell off over rising bond yields, gold found support on dollar weakness
- Fed raised interest rates last month, U.S. Treasury bond yield are rising , they are more attractive in the current environment over gold
- US producers price rose in September after a decline in August; robust economic data added fuel to worries over rising interest.
- Impact of trade war is still un-known on U.S. economy and upcoming mid-term elections in U.S. will also be crucial to watch.
- Federal Reserve President Charles Evans suggested FOMC will stop rising interest rate once it reaches to 3 percent, as long as inflation remains around 2 percent.
- Holdings in SPDR Gold Trust rose 1.21 percent to 738.99 tonnes on Wednesday, its first gain since July.

Outlook: Gold found support near $1183 per ounce and bounced above $1200 this week, however it is locked in the tight trading range of $1218-$1180 from several weeks and a further move is expected only on a breakout beyond these levels. Immediate support is at $1180 and $1161 while major resistance is seen near $1235 above $1218 per ounce.

Zinc faces resistance near $2725; Bias negative

- Base metals prices on the SHFE are trading lower during today amid concerns over global macro-economic environment with strong US bond yields which have shot up in the past few days after expectations for further rate hikes from the FOMC
- Zinc inventories in LME-registered warehouses declined to 194,575 tons from more than 250,000 tons in August and are near 10-year lows, inventories in SHFE storehouses at 29,204 tones are the lowest level since 2007
- Dollar index is likely to remains sideways in the range and not expected to strengthen a lot, however while the US yields continue to rise it is likely that the base metals will remain under pressure

Outlook: LME 3M Zinc has taken resistance near the $2710-$2725 zone near its 20-week SMA indicating weakness for Zinc. The metal is likely to decline further towards $2535 & $2500 in the coming sessions while it sustains below $2725.

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