
US Crude oil inventory drops by 7.2 million barrels against forecast of 2.7 million barrels: API
Gold hovers around \$1,500, eyes are on ECB meeting on September 12 and Fed meeting next week
The Indian rupee weakens against the dollar following losses in Asian currencies
Copper prices recover from initial losses on renewed macro-economic optimism

GOLD HOVERS AROUND \$1,500, EYES ARE ON ECB MEETING ON SEPTEMBER 12 AND FED MEETING NEXT WEEK

- ▲ Gold remains sideways near \$1,500 with a negative trend. The European Central Bank meeting scheduled for tomorrow and the Fed meeting scheduled for the next week may give further clues on the central bank maintaining the dovish tone and stimulating the economy by reducing interest rates.
- ▲ ECB Chief Mario Draghi is expected to keep the interest rates lower for the longer-term to support the weak manufacturing sector, uncertainty surrounding Brexit and the ongoing global trade war.
- ▲ U.S. job growth slowed more than expected in August, but strong wage gains should support consumer spending and keep the economy expanding moderately.
- ▲ 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.

Outlook

- ▲ Gold corrected as optimism over US-China trade talks grow 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 along with the ECB keeping rates lower to stimulate the economy, and this 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.

THE INDIAN RUPEE WEAKENS AGAINST THE DOLLAR FOLLOWING LOSSES IN ASIAN CURRENCIES

- ▲ The dollar index was trading marginally up, and now eyes are on Thursday's ECB meeting. The ECB is expected to reduce the interest rate and may keep rates lower for the longer-term.
- ▲ The Rupee limited the losses 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.

FII and DII Data

- ▲ Foreign Funds (FII's) sold shares worth Rs. 188.08 crores, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs. 686.47 crores on September 9.
- ▲ In Sept'19, FII's net sold shares worth Rs. 5,460.99 crores, while DII's were net buyers to the tune of Rs. 5,148.9 crores. The outflow of foreign investors from Indian equities continued this month as well, and FII's have sold equities worth nearly Rs. 40,000 crores 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.

COPPER PRICES RECOVER FROM INITIAL LOSSES ON RENEWED MACRO-ECONOMIC OPTIMISM

- ▲ Optimism over US-China trade talks supported LME Copper; a recovery in the Yuan is seen as positive for the Chinese economy. China will buy more US agricultural products to facilitate a better trade deal ahead of scheduled talks between the top US and Chinese negotiators in Washington in October.
- ▲ Meanwhile, refined copper cathode production by Chinese smelters fell by 0.5% in August from a month earlier.
- ▲ A strike by mining unions in Peru that started on Tuesday failed to draw a large number of workers and has not affected output at mines.
- ▲ 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.
- ▲ 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.

US CRUDE OIL INVENTORY DROPS BY 7.2 MILLION BARRELS AGAINST FORECAST OF 2.7 MILLION BARRELS:

API

- ▲ Oil prices traded higher following an industry report showing a drop in US Crude oil inventory, which was more than what was anticipated by a market survey. The American Petroleum Institute (API) data released late on Tuesday showed that U.S. crude and gasoline stocks fell last week, while distillate stocks built.
- ▲ The API numbers showed a drop by 7.2 million barrels in crude oil inventory the week ended Sept. 6 to 421.9 million against expectations of a drop of 2.7 million barrels. Meanwhile, crude stocks at the Cushing, Oklahoma, and delivery hub fell by 1.4 million barrels and gasoline stocks fell by 4.5 million barrels. The EIA will release a weekly inventory report later today.
- ▲ Oil prices dropped in initial reaction after President Donald Trump removed John Bolton as the National Security Advisor. The surprise exit of Bolton increased speculations that the tensions between the US-Iran could ease.
- ▲ Oil prices continue to receive support as Saudi Arabia signals OPEC cuts to continue balancing the oil market.

Outlook

- ▲ A drop in US oil inventory supported the oil prices this 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. A sudden exit of US President Trump's advisor John Bolton has increased speculation that Iran-US ties may improve in the future and could result in higher oil supply in the world oil market. Oil demand could improve along with the recovery in global economy if US-China settles tariff issue in upcoming meeting in October.

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