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Aluminum prices rallied after typhoon hits top producers in China  
Iron ore dropped further as supply eases and weak demand outlook  
Gold prices trading firm on expectations of a deeper rate cut by fed  
Brent oil prices under pressure on fear of global slowdown  
Rupee trades above 71, tracking loss in Asian currencies

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## ALUMINUM PRICES RALLIED AFTER TYPHOON HITS TOP PRODUCERS IN CHINA

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- ▲ Facilities belonging to China Hongqiao Group were damaged by flooding after Typhoon Lekima hit the smelting heartland of Shandong.
- ▲ China Aluminium prices rose to its highest in more than two months on raising concerns about supply disruptions.

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## IRON ORE DROPPED FURTHER AS SUPPLY EASES AND WEAK DEMAND OUTLOOK

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- ▲ Dalian iron ore futures slumped to two-month extending losses to an eighth session. Worries of weak demand as China's top steel-producing province of Hebei looks to tighten emission requirements which may lead to lesser steel production.
- ▲ Iron ore inventory at Chinese port has climbed to 121.05 million tonnes this week, up 5% from the 1-1/2-year low level of 115.25 million Ton in late June.
- ▲ Demand outlook pushed Chinese steel and Iron ore prices lower, the Yuan's weakening added to market jitters.
- ▲ China iron ore futures outlook fell for its demand turned negative and steel inventory has piled up due to slower consumption.
- ▲ Steel futures were also under pressure anticipating weak global economic growth under high tariff scenario post-US-China trade war escalation. China's statistics bureau will release its July output data on Wednesday.
- ▲ Washington has accused Beijing of manipulating its currency after China let the Yuan drop to its lowest point in more than a decade.

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## GOLD PRICES TRADING FIRM ON EXPECTATIONS OF A DEEPER RATE CUT BY FED ON ESCALATING TRADE WAR BETWEEN US-CHINA

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- ▲ Monetary easing by global central banks and Yuan devaluation is supporting gold. Precious metals may remain firm on deeper rate cut hope by fed on escalating trade war between US-China. US-China tariff war may force the Federal Reserve to further cut interest rates to protect the US economy from trade-policy risks.
- ▲ Global Central Bank rate cut - The Reserve Bank of New Zealand cut its interest rate by half a percentage point to 1%, lowest till date. The Reserve Bank of India ended up doing so by a larger-than-expected rate cut that is 35 basis points. Thai central bank unexpectedly cut its key rate by 25bp, worried by baht strength.
- ▲ CFTC Report-Hedge funds and money managers raised their bullish stance in COMEX gold in the week to Aug. 6
- ▲ SPDR Gold Trust's holdings fell 0.9% to 847.77 tonnes on Monday from Friday.

### Outlook

- ▲ Gold holding above the key \$1,500 per ounce as fresh concerns about the U.S.-China trade dispute and worries over global economic slowdown increasing safe-haven demand for precious metals. The US is delaying a decision on allowing companies to do business with China's Huawei. Gold prices rallied after China said to retaliate over the tariff and unexpected interest rate cut by many central banks around the globe. CME gold may face minor resistance near \$1532 per ounce while the key support level is seen around \$1497 per ounce. We expect gold to remain firm on various economic issues across the globe, although mild profit booking rallies may keep prices under pressure near key resistance levels.

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## BRENT OIL PRICES UNDER PRESSURE ON FEAR OF GLOBAL SLOWDOWN AND BUILT-IN US OIL INVENTORY

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- ▲ Fear of global slowdown and built-in US oil inventory kept Brent oil prices under pressure but prices got some support from the expectations of more OPEC production cuts.

- Saudi Arabia leader of OPEC plans to maintain its crude oil exports below 7 million barrels per day in August and September to bring the market back to balance. Saudi's production in September may remain lower than it is currently. OPEC and non-OPEC ministerial monitoring committee would meet in Abu Dhabi on Sept. 12 to review the oil market.
- EIA report showed a build of 2.4 million barrels in U.S. stockpiles against of the 2.8 million draw expectations. U.S. crude oil inventories are about 2% above the five-year average as compared to the same time of the year.
- CFTC report- The Managed Money added long position by 5124 contracts while short positions increased by 7095 contracts.
- The total number of active oil rigs in the United States fell by 6 reaching to 764. The combined oil and gas rig count is now 934 for the week, with oil rigs seeing a loss of 105 rigs year on year, with gas rigs down 17 since this time last year. The combined oil and gas rig count is down at 123 years on year.

## Outlook

- US crude oil production will reach record high in 2019 and 2020; it will average 12.3 m bpd in 2019 and 13.3 m bpd in 2020. Brent oil is looking weak following US oil production expectation which will increase supply situation despite OPEC production cut, along with escalating tension between US-China will reduce oil demand. Brent oil may drop further towards \$55-54 per barrel in the near term, inventory built-up in US and demand worries will keep prices under pressure in the near term, although counter may receive some support from OPEC measure to keep oil market in balance through production levels. OPEC and non-OPEC ministerial monitoring committee would meet in Abu Dhabi on Sept. 12 to review the oil market.

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## RUPEE TRADES ABOVE 71, TRACKING LOSS IN ASIAN CURRENCIES, FPI TAX ROLLBACK POSSIBILITY MAY SUPPORT AT LOWER LEVELS

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- Rupee trade above 71, tracking loss in Asian currencies, Indian rupee may gain strength on the hope that the government could roll back the surcharge on foreign funds announced in the budget this year. Rupee also getting support from weakness in crude oil prices and RBI rate cut recently.
- RBI has cut interest rates more aggressively than expected, Benchmark rates are now at their lowest levels since April 2010. The RBI rate cut is balanced between 25 bps and 50 bps, but we expect the Central bank to cut rates by another 25 bps in the current year and also expect interest rates to remain lower for a longer period going forward.
- The RBI's lowering of the growth forecast to 6.9% from 7% with downside risk is an indication that the economy is not in good shape. The RBI has kept the inflation forecast lower. The RBI is giving high priority to boost demand and reduce the risk weight on consumer loans other than credit card bills.
- Crude Oil dives on fears of a global slowdown amid escalating US-China trade war and higher oil production.

## FII and DII Data

- Foreign Funds (FII's) bought shares worth Rs.203.7 Crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs.606.9 crore on August 9
- In Aug'19, FII's net sold shares worth Rs. 8686.59 crores, while DII's were net buyers to the tune of Rs.8964.03 crores.

## Outlook

- Since July, Heavy FIIs outflow continued, FIIs sold Rs.16870 crore worth of equities in July while they sold Rs.8686.59 crore worth of equities in the first five days of August. Domestic institutional investors remained supportive and infused a total of Rs.29358 crore into domestic equities in July and August. Indian rupee may remain negative above 70 following the similar trend of other Asian currencies. Weakness in Crude oil prices may limit rupee losses for the short term.

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