DAILY ANALYSIS REPORT

Friday, September 13, 2019

ABANS

ECB to restart bond purchases at a rate of 20 billion Euros a month from Nov. 1
LME Copper prices remain firm following optimism over US-China trade talks
Rupee at one-month highs supported by weakness in Crude oil prices and FII's inflows into equities
Oil prices dropped as OPEC lowered global oil demand

ECB TO RESTART BOND PURCHASES AT A RATE OF 20 BILLION EUROS A MONTH FROM NOV. 1, GOLD SWINGS POST ECB DECISION TO CUT-RATE

- The European Central Bank cuts deposit rate to -0.5% from -0.4% and launched a new round of monthly bond purchases and is also taking other steps to stimulate a flagging Eurozone economy. Inflation remains below 2%, and this was the main driver for the decision. Global trade disputes and concerns about the prolonged process involving the UK exit from the European Union have increased chances of a slowdown in the world economy.
- 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 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 along with the ECB keeping rates lower to stimulate the economy, and this will keep gold prices firm over the short term. The ECB's decision to start bond-buying will create more liquidity into the system and will support riskier assets such as gold in the medium term. We expect CME Gold futures contracts 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.

LME Copper prices remain firm following optimism over US-China trade talks, SHFE closed for the mid-autumn festival today

- Copper rises seeing progress in U.S.-China trade talks. China renewed purchases of U.S. farm goods, and U.S. President Donald Trump delayed a tariff increase on certain Chinese goods by two weeks. The US and China are set to meet later in September and October.
- The US will delay increasing tariffs on $250 billion worth of Chinese goods from Oct. 1 to Oct. 15 as a "gesture of goodwill" to China.
- The SHFE is closed for the mid-autumn festival and will resume trading on Sept. 16.
- London Metal Exchange is to allow extended queues for loading out metals and this will enable warehouses in its network to boost their profits by holding metals for longer, but consumers will face higher costs as a result.
- China's auto sales fell 6.9% in August from the same month a year earlier, following a decline of 4.3% in July and 9.6% in June, as well as the first annual contraction last year since the 1990s against a backdrop of slowing economic growth.
- A private survey showed that refined copper cathode production by major Chinese smelters fell by 0.5 percent in August from a month earlier.
- 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 3M prices could face minor resistance around 6,070 levels.

Rupee at one-month highs supported by weakness in Crude oil prices and FII's inflows into equities

- The rupee is at a one-month high level against the US dollar, amidst positive global cues, weakness in crude oil and increased FII's inflow for the second day.
- US President Trump's delaying the increase in Chinese tariffs by 15 days have supported global equities and Indian indices also traded higher along with gains in the domestic currency.
- The rupee remained strong as oil falls following a report that US President Trump discussed easing sanctions on Iran.
- The ECB decision to cut interest rates and starting a new bond-buying program will support emerging markets as inflows could improve further. Eyes are on the Fed meeting next week. A dovish Fed is seen as supporting the rupee further from current levels.

FII and DII Data

- FII's turned net buyers in equities after a long time with little quantity for the second day. Foreign Funds (FII's) bought shares worth Rs. 783.5 crores, while Domestic Institutional Investors (DII's) sold shares to the tune of Rs. 126.8 crores on September 12th.
- In Sept'19, FII's net sold shares worth Rs. 4410.5 crores, while DII's were net buyers to the tune of Rs. 6154.51 crores.

Outlook

- Optimism over US-China trade talks, recovery in the Yuan against the dollar and correction in Crude oil prices could support the rupee in the near term. The ECB's decision to cut interest rates and starting of a new bond-buying program will support emerging markets economies as fund inflows will improve. The Rupee may further recover till 71.10-70.80 against the US dollar in the very short term, meanwhile, we can see rupee to trade in a broader range of 71-72.30 in the short to medium term.

ABANS

Oil prices dropped as OPEC lowered global oil demand and easing of supply situation if US-Iran talks end successfully

- Oil prices corrected following a media report that President Donald Trump has discussed easing sanctions on Iran to reopen negotiations.
- On 8 May 2018, US President Donald Trump announced that the US would withdraw from the Iran nuclear deal and resulted in US sanctions on Iran that came into effect on November 2018.
- According to the report, President Trump entertained the idea of easing sanctions on Iran to arrange a meeting with Iranian President Hassan Rouhani later this month at the UN General Assembly.
- The 73rd session of the UN General Assembly (UNGA 73) will open on 18th September 2018. The first day of the high-level general debate will be Tuesday, 25th September 2018, and is scheduled to last for nine working days.
- Oil prices traded higher this week 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.
- Oil found minor support from a drop in US Crude oil inventory; The Energy Information Administration reported a draw in crude oil inventories of 6.9 million barrels for the week ending September 6. The API numbers also 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.
- Oil prices dropped as an 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.
- OPEC on Wednesday cut its forecast for growth in world oil demand in 2020 due to an economic slowdown. Oil demand worldwide would expand by 1.08 million barrels per day, 60,000 bpd less than previously estimated, and indicated the market would be in surplus.

Outlook

- 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. A media report of President Trump’s meeting with Iranian President Hassan Rouhani later this month at the UN General Assembly, have improved sentiments and Iranian supply may hit the market in the near term which will keep oil prices under pressure for a longer-term than anticipated.
- An OPEC report for a drop in oil demand could increase additional pressure on oil prices. We expect Brent oil to trade in a wider range of 57.10-63.70 in the short term with negative trends following the latest development over US-Iran talks with the US. However, optimism over US-China tariff issues could improve sentiments later.

DISCLOSURE & DISCLAIMER: ABANS BROKING SERVICES PVT. LTD. (ABSPL)

Prepared by:
Mr. Kamlesh Jogi | Market Research Analyst
email: kamlesh.jogi@abans.co.in
Phone: +91 22 68354176 (Direct)

Abans Broking Services (P) Limited
36, 37, 38A, 3rd Floor, 227 Nariman Bhavan, Backbay Reclamation, Nariman Point, Mumbai-400 021
Phone +91 22 61790000 | Fax +91 22 61790000
Email: info@abans.co.in | Website: www.abans.co.in

Membership Details:
MCX Member ID: 40385 / SEBI Reg. No. INZ000032733;
NCDEX: Member ID F00681 / SEBI Reg. No. INZ000032733

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations). ABans Broking Services Pvt. Ltd. (ABSPL) is a SEBI Registered Research Analyst having registration no. INH000006369. ABSPL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock Broking services. ABSPL is a subsidiary company of ABans Finance Pvt. Ltd. (AFPL). AFPL is an NBFC, registered with the RBI, in the category of non-acceptance of public deposits.
One of the group companies of ABSPL is ABans Securities Pvt. Ltd. (ASPL) which is a SEBI registered member with NSE, BSE and MSE stock exchanges. ASPL is also a Depository Participant of CDSL. ABans Commodities Pvt. Ltd. (ACIPL) is another group entity which is also a registered member with MCX in the Commodity segment. Further details are available on the group website www.abans.co.in Mandatory Disclosures as per the Regulations:

- Ownership & Material conflicts of interest –
  - Whether the Research Analyst or ABSPL, or his associate or his relative has any financial interest in the subject company and the nature of such financial interest – No
  - Whether the Research Analyst or ABSPL, or its associates or relatives, have actual/beneficial ownership of 1% or more securities of the subject company, at the end of the month immediately preceding the date of publication of this research report or date of the public appearance - No
  - Whether the Research Analyst or ABSPL, or his associate or his relative, has any other material conflict of interest at the time of publication of this research report or at the time of public appearance - No
- Receipt of Compensation –
  - Whether ABSPL, or its associates have received any compensation from the subject company in the past twelve months – No
  - Whether ABSPL, or its associates have managed or co-managed public offering of securities for the subject company in the past twelve months – No
  - Whether ABSPL, or its associates have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months – No
  - Whether ABSPL, or its associates have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months – No
  - Whether ABSPL, or its associates have received any compensation or other benefits from the subject company or third party in connection with the research report – No
- Whether the Research Analyst has served as an officer, director or employee of the subject company – No
- Whether the Research Analyst or ABSPL has been engaged in market making activity for the subject company – No
- Other material disclosures, if any

Disclaimer:
The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Neither ABans Broking Pvt. Ltd. (ABSPL), nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information. The document is not, and should not be construed as an offer to sell or solicitation to buy any securities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from "ABans Broking Services Private Limited". Your feedback is appreciated on compliance@abans.co.in