
Gold corrected on easing trade tension but dispute still far away from a solution
Crude oil prices rallied on easing trade tensing but rising inventory limited the gains
Copper drops after China's industrial output data which came much below market expectations
China steel future recovered after mills halting production after reaching to limit
Rupee recovered following Asian currencies after Trump's decided to delay tariffs on some Chinese imports

GOLD CORRECTED ON EASING TRADE TENSION BUT RESOLVING THE TENSION SEEMS A FAR OFF DEAL

- Softening trade tensions and geopolitical risks have provided some sort of hope in the markets pushed gold prices down but move did not last longer. The trade dispute is still not resolved. Geopolitical risks in Hong Kong and political turmoil in Argentina may keep boiling tension. All these factors are supportive for gold
- Holdings of SPDR Gold Trust exchange-traded fund fell 1.31% to 836.66 tonnes on Tuesday from 847.77 tonnes on Monday.
- Market still expecting at least one more cut from the Federal Reserve, lower U.S. interest rates put pressure on the dollar and bond yields, increasing the appeal for bullion.
- Gold prices trading firm on expectations of a deeper rate cut by fed on escalating trade war between US-China

Outlook

- Gold bounced back above the key \$1,500 per ounce after a sharp correction from multiyear high. The trade dispute is still not resolved. Geopolitical risks in Hong Kong and political turmoil in Argentina may keep boiling tension. All these factors are supportive for gold. 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.

CRUDE OIL PRICES RALLIED ON EASING TRADE TENSION BUT RISING INVENTORY LIMITED THE GAINS

- The news of easing trade tension between US-China provided support to the Crude oil prices but API inventory report dented the sentiment and prices corrected after Tuesday's rally. American Petroleum Institute (API) showed an unexpected rise in US Crude oil inventory by 3.7 million barrels to 443 million last week against market expectations for a decrease of 2.8 million barrels. EIA will release weekly report later on today.
- 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.

Outlook

- Brent oil may trade in range of \$63-57 in short term following mixed view of easing trade tension and increasing US oil supply. Crude may receive some support from OPEC measure to keep oil market in balance through production levels. Easing trade tension between US-China may support oil demand. OPEC and non-OPEC ministerial monitoring committee would meet in Abu Dhabi on Sept. 12 to review the oil market.

COPPER DROPS AFTER CHINA'S INDUSTRIAL OUTPUT DATA WHICH CAME MUCH BELOW MARKET EXPECTATIONS

- Chinese Industrial output grew 4.8 per cent in July from a year earlier; which was against forecast of 5.8 per cent and from 6.3 per cent growth as compared to June. China's industrial output was lower than the most bearish forecast, resulting from weakened demand at home and abroad.
- China will need to deliver more economic stimulus to prevent a deeper downturn and to help stabilize growth. Copper may react positively if China announce economic stimulus to improve home demand.
- LME copper also fell as copper exports from some of Peru's top mines resumed after weeks of protests.

Anti-mining protests that had blocked key infrastructure in Peru's southern copper belt eased over the weekend.

- ▲ Copper bounced on Tuesday amid cooling tensions in the US-China trade war. US announced on Tuesday that it would delay the introduction of 10% tariffs on a range of Chinese goods sold in the US, including technology products such as laptops, mobile phones and game consoles. Optimism improved as full talks are scheduled for September, it further raised the hopes.

Outlook

- ▲ LME Copper 3M expiry contract may remain in range of 5710-5920 with positive trend on easing tension between US-China. Optimism improved as full talks are scheduled for September. Although demand outlook is not yet improved much as China's industrial output data came much below market expectation. China will need to deliver more economic stimulus to prevent a deeper downturn and to help stabilize growth. Copper may react positively if China announce economic stimulus to improve home demand.

CHINA STEEL FUTURE RECOVERED AS MILLS ARE HALTING PRODUCTION AFTER REACHING TO THEIR LIMITS

- ▲ China steel futures rallied by 2.9% on easing trade tension between US-China and limited production by steel mills. Some steel firms in China halting production as they are approaching certain levels, is keeping steel prices higher after recent drop.
- ▲ Although Steel prices may correct further as demand is expected to soften in the second half of this year and would be in line with the real estate market. According to Chinese industrial report, Property investment grew 10.6 per cent in the first seven months of the 2019 year-on-year, slowing from 10.9 per cent in January-June. The sector has been one of the few bright spots in China's economy.

RUPEE RECOVERED FOLLOWING ASIAN CURRENCIES AFTER TRUMP DECIDED TO DELAY TARIFFS ON SOME CHINESE IMPORTS

- ▲ Indian rupee rose against the dollar in early trade amid market recovery across Asia. The recovery was mainly due to Trump's decision to delay tariffs on selective Chinese imports. Trump decision gave much-needed relief for market.
- ▲ Recovery in crude oil prices limited gains in rupee. The news of easing trade tension between US-China provided support to the Crude oil prices.
- ▲ India Inflation- Retail inflation fell to 3.15 per cent in July from 3.18 per cent in June; the number is well below the Reserve Bank of India's (RBI's) target of 4 per cent. Inflation based consumer price index stood at 3.05 per cent in May 2019 and 4.17 per cent in July last year.

FII and DII Data

- ▲ Foreign Funds (FII's) sold shares worth Rs.638.2 Crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs.201.5 crore on August 13th
- ▲ In Aug'19, FII's net sold shares worth Rs. 9324.8 crores, while DII's were net buyers to the tune of Rs.9165.5 crores.

Outlook

- ▲ The Indian rupee is expected to gain in short term against the dollar after President Donald Trump postponed the implementation of tariffs on some Chinese products. Domestic institutional investors also remained supportive and infused a total of Rs.29559 crore into domestic equities in July and August. But rising crude oil and continuous FII's outflow prices may keep domestic currency under pressure. USD-INR future contract on NSE may find support around 70.40-69.80 while immediate resistance can be seen around 71.30-71.80

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