
Partial US-China trade deal to keep gold prices lower as hopes improve for the next phase
Geopolitical tensions in the Middle East to keep oil prices firm
China's copper imports in September rose 10.15% from a month earlier
Weakness in Dollar and Crude Oil and inflows from FPI's support the Indian rupee

PARTIAL US-CHINA TRADE DEAL TO KEEP GOLD PRICES LOWER AS HOPES IMPROVE FOR THE NEXT PHASE

- ▲ Gold prices to trade negative following optimism over US-China trade talks. U.S. President Donald Trump on Friday outlined the first phase of a deal to end the protracted US-China trade war and suspended a threatened tariff hike, the biggest step by the two countries in 15 months.
- ▲ Singapore's Central Bank eased the monetary policy for the first time in three years to support the economy and prevent a possible slowdown from the US-China trade dispute.
- ▲ Focus is shifting towards the Brexit talks later in the day. Both parties said that a lot more work would be needed to secure an agreement on Britain's departure from the Union, scheduled for Oct. 31.
- ▲ According to the CFTC Commitments of Traders report for the week ended October 8, net long for gold futures plunged -43,451 contracts to 268,993. Speculative long positions slipped by 47,593 contracts, while shorts positions dropped by 4,142.
- ▲ Gold would find support on another rate cut by the US Federal Reserve. The Fed is likely to cut interest rates by 25 bps at its next policy review on Oct. 29-30 to support the economy.
- ▲ Indian gold demand remains subdued during the festival season as prices are still very high and jewellery sales are projected to drop by 40-50% during Dussehra sales from a year ago.

Outlook

- ▲ A partial deal between the US & China in the first phase has reduced the bullish sentiment for gold. Reduced demand from top consumers in India during the festive season is also keeping gold prices under pressure. However, geopolitical issues across the globe and trade tensions between US-EU and unsuccessful Brexit talks could provide support to gold prices in the near term. CME Gold futures contracts could find support near \$1,492-1,464 per ounce, while key resistance could be seen around \$1,526-1,544 levels.

CHINA'S COPPER IMPORTS IN SEPTEMBER ROSE 10.15% FROM A MONTH EARLIER

- ▲ A partial US-China trade deal could support copper prices along with an improvement in China's copper imports.
- ▲ China's copper imports in September rose 10.15% from a month earlier to 445,000 tonnes, the highest level in eight months, data from the General Administration of Customs showed on Monday. That was up from 404,000 tonnes in August, but down 14.6% from a bumper 521,000 tonnes in September last year.
- ▲ China's factory activity shrank for a fifth month in September, pointing to persistent pressure from the US-China trade war.
- ▲ A progress in the US-China trade talks is supporting copper prices, but gains were limited as the markets remained cautious about the future prospects of trade talks.
- ▲ Chinese miner MMG Ltd. is likely to have to halt production at its Las Bambas copper mine in Peru "within a week" due to protests that have blocked access to the site.
- ▲ September refined copper cathode output by 22 Chinese smelters rose 1.7% month-on-month to 737,000 tonnes.
- ▲ China's U.S. dollar-denominated exports fell 3.2% in September from a year ago, while imports dropped 8.5% during the same period. China's imports and exports data for September came in worse than expected.

Outlook

- ▲ LME Copper 3M prices found support from partial negotiations over the US-China tariffs issue but still more is to be achieved. US-China trade talks are still far from a complete deal and another round of talks could provide some more direction in the future. LME Copper 3M contracts could find support near \$5,765-5,669 per ton while key resistance could be seen around \$5,872-5,910 per ton. Improvement

in Chinese copper imports is indicating improvement in demand but still much below from previous year.

GEOPOLITICAL TENSIONS IN THE MIDDLE EAST TO KEEP OIL PRICES FIRM

- Renewed geopolitical tensions in the Middle East are keeping oil prices firm. An attack on an Iranian oil tanker in the Red Sea increased tensions between Iran and Saudi. Investigations are underway to determine if the tanker was hit by missiles.
- The emergence of a Phase 1 trade deal between the United States and China and a goodwill move by Washington to suspend threatened tariffs on Chinese products also lifted global financial markets.
- According to the CFTC Commitments of Traders report for the week ended October 8, net long positions for crude oil futures dropped by 34,234 contracts to 355,085 contracts for the week. Speculative long positions were added by 5,454 contracts, while short positions jumped by 39,688 contracts.
- The US oil and gas rig count rose for the first time in eight weeks. The total number of active oil rigs in the United States increased by 2 according to the report, reaching 712. The total oil and gas rig count now stands at 856, or 207 down from this time last year.

Outlook

- Rising geopolitical tensions in the Middle East are keeping oil prices supported. The Middle East area is under tension since the Saudi Armco attack followed by a latest attack on an Iranian oil tanker. The situation may worsen further if both countries escalate further. However, weak economic data from the US and Europe have increased the gloomy outlook for oil demand, and this will keep oil prices under pressure. A fresh trade war between the EU and the US has increased the risk sentiment for a slowdown in the global economy. Brent oil could find support around 57.20-55.90 levels, while key resistance remains near 61.40-62.98 levels.

WEAKNESS IN DOLLAR AND CRUDE OIL AND INFLOWS FROM FPI'S SUPPORT THE INDIAN RUPEE

- The Indian rupee opened higher against the US dollar following strength in Asian currencies over improved optimism on the trade front. The US and China agreed on the outlines of a partial trade pact.
- Focus is now on today's release of the Consumer Price Index-based inflation data later today. CPI is estimated to be around 3.80% in September against 3.21% in August (according to a Bloomberg Survey).
- Crude oil prices lowered marginally after a three days rally upon expected weakness on the demand front from a partial US-China trade deal.
- The World Bank cuts India's growth projection to 6 per cent amidst an economic slowdown, while growth is expected to gradually recover to 6.9 per cent in 2021 and 7.2 per cent in 2022 as it assumed that the monetary stance would remain accommodative, given the benign price dynamics.

FII and DII Data

- Foreign Funds (FII's) bought shares worth Rs. 749.7 crores, while Domestic Institutional Investors (DII's) sold shares to the tune of Rs. 703.02 crores on October 11th.
- In Oct'19, FII's net sold shares worth Rs. 3,285.03 crores, while DII's were net buyers to the tune of Rs. 4,632.57 crores.

Outlook

- Weakness in crude oil, FII inflows in the Indian markets and a weakness in the dollar over US-China partial trade talks are supporting the Indian rupee. The Rupee may recover towards 70.40-70.00 levels against the US dollar in the short term if the government takes more measures to tackle the slowdown in the economy. The dollar-rupee pair may face resistance near 71.20-71.60 while key support level can be seen around 70.40-70.00 levels.

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