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Gold prices are volatile due to speculation over US stimulus and presidential election  
Crude prices to find direction from inventory report  
Bullish trend continues in Nickel

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## GOLD PRICES ARE VOLATILE DUE TO SPECULATION OVER US STIMULUS AND PRESIDENTIAL ELECTION

- ▲ Gold is trading in a broader range of \$1,878-1,940, from the last week, as speculation over US stimulus and the presidential election, has increased volatility. Weakness in the US dollar, along with dovish central bank commentary, have supported an upside move in gold prices yesterday. U.S. Treasury Secretary, Steve Mnuchin, dashed hopes of a new fiscal stimulus package before the presidential election. Mr. Mnuchin has said that he, and the House of Representatives Speaker, Nancy Pelosi, were "far apart" on another coronavirus economic relief package, and that a deal would be hard to reach before the November 3<sup>rd</sup> election.
- ▲ On the economic data front, U.S. producer price data was stronger-than-expected, and supportive for gold demand as an inflation hedge, after the U.S. September core PPI rose +0.4% m/m, and +1.2% y/y, stronger than expectations of +0.2% m/m, and +1.0% y/y.
- ▲ Dovish comments on Wednesday from global central bankers have increased the demand for gold. Fed Vice Chair, Clarida, has said on Wednesday that more monetary and fiscal policy support is likely needed, as it may take another year to restore pre-Covid GDP levels. Richmond Fed President, Barkin, has said that "uncertainty" to the economic outlook may discourage businesses from hiring or investing. In addition, ECB Chief Economist, Lane, has said that inflation is "far below" where the ECB wants it to be, and it will continue to be a challenge, even after the pandemic is dealt with.
- ▲ As per a Reuters report, Metals Focus Consultancy has said that the world's mines will produce 3,368 tonnes of gold this year, down 4.6% from 2019, and the lowest in 5 years, but high bullion prices will help to push up output by 8.8% to a record 3,664 tonnes in 2021. Meanwhile, demand for gold will fall 25% this year, to about 3,000 tonnes, before recovering 17% in 2021. The coronavirus pandemic forced many mines to close temporarily and have also curtailed the sales of gold jewellery.

## Outlook

- ▲ Safe-haven demand and dovish central bank expectations are likely to provide support to gold prices. However, strength in the Dollar Index, from current levels, is likely to keep a lid on prices. Gold prices are likely to find support near the 100-days EMA at 1,878. Meanwhile, key resistance is seen around \$1,949-\$1,973 levels.

## CRUDE PRICES TO FIND DIRECTION FROM INVENTORY REPORT

- ▲ Crude oil prices were trading firm initially following an inventory drop report from API, market is likely to get further direction from EIA report later today. The American Petroleum Institute industry group said U.S. crude, gasoline, and distillate inventories, all fell in the week ending October 9. Crude stockpiles fell by 5.4 million barrels, while distillate stockpiles, which include diesel and heating oil, fell by 3.9 million barrels.
- ▲ The official inventory report, for the last week, will be released by the EIA later today. In the previous report, EIA data showed that U.S. crude oil inventories as of October 2, were +12.2%

above the seasonal 5-year average, gasoline inventories were -0.4% below the 5-year average, and distillate inventories were +21.9% above the 5-year average.

- ▲ Russian Energy Minister, Novak, has said that OPEC+ and its allies are optimistic about the pace of oil's recovery, even amidst a surge of Covid infections, and plan to stick to a gradual tapering of production cuts. Crude oil prices found support from these comments, ahead of an OPEC meeting, which is scheduled for Monday, October 19<sup>th</sup>. The Group may discuss the market outlook, before finalizing plans at a ministerial meeting, at the end of November.
- ▲ Crude prices are also receiving support from OPEC+ production cut compliance, which was +102% in September.

## Outlook

- ▲ We expect that demand concerns, due to the covid pandemic, and increasing supply from OPEC nations, is likely to keep oil prices under pressure. WTI crude oil prices are likely to find support around \$38.45-37.80 per barrel. Meanwhile, stiff resistance could be seen around \$41.97-43.08 per barrel.

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## BULLISH TREND CONTINUES IN NICKEL

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- ▲ Nickel prices are holding firm above \$15,400 per ton, which is nearly 9.6% higher from the lows of \$14,047.5, which were registered on October 2.
- ▲ As per an Antaike report, China's refined nickel production due to maintenance at the top producer, Jinchuan Group, whose October output is expected to be impacted by an equipment fault. Shortage of production is bullish for nickel prices.
- ▲ Metal prices also found support from U.S. Producer Price Index (PPI) data. U.S. producer prices increased more than expected in September amidst a surge in the cost of hotel and motel accommodation, leading to the first year-on-year gains since March. The Producer Price Index for final demand rose 0.4% last month, after advancing 0.3% in August. In the 12 months through September, the PPI increased 0.4%, after falling 0.2% in August.
- ▲ LME Nickel warehouse stock till Wednesday was at 237,156 mt, which has dropped by -1,700 mt in the last one month, but was still up by +155,975 mt in the last one year.

## Outlook

- ▲ Nickel prices are likely to continue their positive move, while remaining above the key support level of the 20-days EMA of \$14,902. Meanwhile, a critical resistance could be seen around \$15,755-\$15,987 levels.

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