

Expected rise in US crude inventory keeps gains in check

- Crude oil is being supported due to tensions between the US and Saudi Arabia over the unexplained disappearance of a regime-critical journalist about 2-weeks ago in Saudi Arabian consulate in Istanbul, this adds to pressure on supply concerns due to US sanctions on Iran which kicks in from 4th November
- The oil market is concerned that Saudi Arabia issued an aggressive statement that is being interpreted as a threat to use crude as a weapon in the ongoing tension over missing journalist Jamal Khashoggi
- WTI intermediate at Midland's discount to U.S. crude futures on Monday declined to the lowest level in about 4-months as traders discounted new pipeline expansion that could help relieve a crude oil bottleneck in the Permian Basin
- PM Narendra Modi shared his opinion that high oil prices are hurting global growth and would ultimately hurt oil producing countries as he pitched for a rupee payment mechanism to help cushion India's oil import bill due to the declining value of the Rupee
- Crude inventories are expected to rise 1.25m bbl in week ended Oct. 12 to 411.2m bbl according to the survey done by Bloomberg
- Crude inventories at Cushing are expected to increase 2m bbl in week ended Oct. 12, according to forecast by Bloomberg

Outlook:

- Brent has declined yesterday and has ended in a bearish candlestick formation, it needs to sustain above 82.70 for any rally towards 85.20 and 86.74. However the trend remains negative and further weakness can be expected towards 78.20, 77.20 and 75.70 in near term.

Gold prices remain buoyant on risk aversion due to geopolitical tensions

- Asian stock markets were up modestly on Tuesday after a week of heavy in the previous week, increasing tensions between Saudi Arabia and the US are increasing geopolitical concerns and helped Gold to stay buoyant. Also equity sell off has helped divert funds to safe heaven Gold. The Yellow metal touched \$1,233.26 on Monday, its highest since July 26
- While the risk-off environment is supporting gold prices in the near term, the medium- to longer-term outlook may be driven by the dollar and U.S. rate hike expectations, market expects a rate hike in December
- Also the concerns over the Global economic growth, US midterm elections have pushed gold prices higher, Gold is considered as a safe heaven and a safe value during political and economic turmoil
- Dollar index which has been trading in the 95.15-94.60 range in the past few days has also helped Gold shine
- According to Hong Kong customs data, gold exports from Hong Kong to China in August fell 29% from a month earlier, to 31.9 tones. However it saw only a 2% decline on an annual basis. On the contrary, imports from Switzerland jumped 133% in August, to 44.3 tones. It was also 200% higher year-on-year. In all mainland China imported a total of 76.2 tons in August, a 19% increase from July and 61% increase year-on-year. In the first eight months of 2018, Chinese gold imports from Hong Kong and Switzerland totaled 735 tones, a 6.7% y-o-y increase.

Outlook:

- Gold is trading above the resistance turned support of \$1218, while it sustains above \$1218, further rally is likely towards \$1240-\$1262, key support levels to watch are \$1206 and \$1194 on the downside.

Nickel near its support zone; Make or Break

- Base metals at LME are trading lower on Tuesday as investors are cautious, equity markets remain under pressure even weaker US dollar has not helped base metals to move higher
- Soft Chinese data have also had a negative impact on base metals as the country's producer price index (PPI) increased by 3.6% in September from a year earlier, slowing from the Augusts' 4.1% gain and just below a forecasted value of 3.7%. This is the third consecutive monthly decline in producer price inflation –indicating slow economic momentum in the country amid trade war with the US
- Refined nickel market is said to have be in deficit of 96,500 tons in the first seven months of 2018, according to International Nickel Study Group report. This is considerably higher than the 51,800-tonne deficit in the year 2017
- On Tuesday morning the SHFE November nickel contract is down 890 yuan per tonne to 103,700 yuan per tonne

Outlook:

- LME 3M Nickel has declined sharply on Monday and is trading lower on Tuesday morning, it is currently trading near its support zone of \$12,300. If the metal is able to hold on to this support zone then we can expect a rebound towards \$12,700 & \$12,900, on the other hand a break below \$12,300 can take the metal lower towards \$12,000 & \$11,700.

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