DAILY ANALYSIS REPORT

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ABANS

OPEC signals further supply cuts to balance oil markets beyond 2020

IMF cuts India's GDP growth projection to 6.1% for the year 2019

Copper ease after Chile's Antofagasta mine avert labour strike

Gold prices under pressure as optimism over Brexit could reduce the safe-haven demand for gold

OPEC signals further supply cuts to balance oil markets beyond 2020

- Oil prices found initial support from OPEC comments. The OPEC has said that it hoped to balance markets beyond 2020. Oil demand continues to drop on account of weaker economic data across the globe. OPEC, Russia and other producers have (since January, 2019) implemented a deal to cut oil output by 1.2 million bpd to support the market.
- In a latest release, Chinese factory activity declined at the fastest pace in more than three years in September and Chinese imports declined for a fifth straight month.
- US President Donald Trump on Friday outlined the first phase of a deal to end the trade war with China and suspended a threatened tariff hike; however, the deal is still far from a complete agreement.
- The IMF has said that the US-China trade war will cut 2019 global growth to its slowest pace since the 2008-2009 financial crisis.
- Geopolitical tensions in Turkey, Iran and Saudi due to various issues are likely to keep oil prices supported. An attack on an Iranian oil tanker in the Red Sea has increased tensions between Iran and Saudi.
- US API Crude Inventory data on Thursday and an EIA report later today could provide further direction. The market expects inventories to drop from last week's 4.13 million barrels increase as per an API inventory report.

Outlook

- Brent oil prices are under pressure due to a poor demand outlook. Weak economic data released from China and the recent IMF forecast for a slowdown in the global economy are affecting oil demand.
- However, OPEC's signals to balance the oil market with more supply cuts beyond 2020 and geopolitical tensions in the oil-producing region of the Middle East are likely to give support to oil prices. Brent oil may find support around 57.37-56.10 levels, while a key resistance level is seen around 59.66-60.82.

IMF cuts India's GDP growth projection to 6.1% for the year 2019

- The rupee opened lower and the International Monetary Fund (IMF) on Tuesday cut India's GDP growth projection for the year 2019 to 6.1% from the 7.3% projection in April 2019.
- India's September trade deficit is at a seven-month low as exports declined by 6.5%.
- Rising trade tension is the key reason behind a slowdown in the world economy and demand is not improving from the last several quarters. The World Trade Organization (WTO) slashed its trade forecasts for 2019 and 2020 to 1.2 % and 2.7% respectively.
- However, a drop in crude oil prices and improved inflows from Foreign Portfolio Investors could support the rupee in the near term.

FII and DII Data

- Foreign Funds (FII's) bought shares worth Rs. 436.02 crores, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs. 929.39 crores on October 11th.
- In Oct'19, FII's net sold shares worth Rs. 1,953.38 crores, while DII's were net buyers to the tune of Rs. 5,136.81 crores.

Outlook

- Weakness in crude oil, FII inflows in the Indian markets and weakness in the dollar over US-China partial trade talks could support the Indian rupee. The dollar-rupee pair may face resistance near 71.60-72.10 levels, while key support can be seen around 71.40-70.90 levels. However, global factors are keeping the rupee lower and any positive steps taken by the Government on the personal tax front (after a big boost on the corporate tax side) could revive demand for the domestic currency.

Copper ease after Chile's Antofagasta mine avert labour strike

- Copper prices dipped after Chile's Antofagasta averted a labour strike at a copper mine and arrived at an agreement. Antofagasta is one of the world's top copper producers.
- An ongoing trade war between the United States and China is also keeping copper prices under pressure. The International Monetary Fund has warned that the trade war will cut 2019 global growth to its slowest pace since the 2008-2009 financial crisis.
- Australia's Ocean Gold Corp. lowered its 2019 copper output target to 10,000-11,000 tonnes, from 14,000-15,000 tonnes previously, following a dispute with the local government after suspension of the Didipio Mine.
- Kazakhstan's output of refined copper rose 11% in January-September to 354,836 tonnes against the same period last year, according to Statistics Committee data.
- Chinese banks extended more-than-expected new Yuan loans in September, as policymakers ramped up support to stabilize the slowing economy during the trade war with the United States.
- 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, which 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 shrunk for a fifth month in September, pointing to persistent pressure from the US-China trade war.
- Progress in the US-China trade talks is supporting copper prices, but gains were limited as the markets remained cautious about the prospects of trade talks.

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. Copper lost its gains after Chile's Antofagasta copper mines averted a labour strike. LME Copper3M contracts could find support near $5,720-5,669 per ton while key resistance could be seen around $5,872-5,910 per ton. Improvement in Chinese copper imports is indicating an improvement in demand, but the quantum of imports is still below the previous year's figures.

Gold prices under pressure as optimism over Brexit could reduce the safe-haven demand for gold

- Gold prices are under pressure as some optimism about Brexit and the partial deal between the US and China have reduced the risk sentiment in the economy and reduced the safe-haven demand for gold.
- Brexit with a deal from the EU could be negative for gold prices than a Brexit without a deal. It is still uncertain if Britain and the EU can draft an agreement on Brexit before a summit later this week. It is also uncertain if London could avoid postponing its scheduled departure on October 31st.
- Geopolitical tensions in Hong Kong may provide support to gold prices. The U.S. House of Representatives on Tuesday passed four pieces of legislation taking a hard line on China, while Beijing opposed the new measures and urged lawmakers to stop interfering.
- SPDR Gold Trust GLD, gold holdings fell 0.22% on Tuesday from Monday.
- 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.
- Federal Reserve Chairman Jerome Powell said repeatedly that he believes that the economy is strong, while the Fed is prepared to do to act "as appropriate" to sustain the decade-long expansion. 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 October 29th -30th 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 like India during the festive season is also keeping gold prices under pressure. However, geopolitical issues across the globe and trade tensions between US-EU are also factors to watch out for. Focus is also on Brexit negotiations as a possible deal between Britain and the EU could reduce the safe-haven demand for gold. CME Gold futures contracts could find support near $1,478-1,464 per ounce, while key resistance could be seen around $1,526-1,544 levels.

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