
Crude oil prices were up due to hurricane Sally
Gold prices to get further direction from the Fed meeting later today
Aluminium – Uptrend intact

CRUDE OIL PRICES WERE UP DUE TO HURRICANE SALLY

- ▲ Oil prices were up supported by hurricane Sally on Tuesday, and the same trend continued on Wednesday in the Asia session. Though Hurricane Sally has moved away from the oil fields, Heavy rains in the region could dampen fuel demand. The hurricane has shut more than 25% of US offshore Gulf of Mexico oil and gas production. Oil and chemical ports along the Mississippi River could reopen with restrictions, and some offshore operators were preparing to return workers to offshore platforms on Thursday.
- ▲ According to the API report, US crude oil inventories fell by 9.5 million barrels last week, against a market forecast of 1.3 million barrels, although gasoline inventories increased. An official inventory report from EIA will be released later today.
- ▲ Crude oil prices also found support from increasing optimism about the global economic outlook, and energy demand, on better-than-expected economic data from China. China's August industrial production rose +5.6% y/y, stronger than expected of +5.1% y/y, and the fastest pace of increase in 8 months. Also, China's August retail sales rose +0.5% y/y, stronger than expectations of unchanged data, and the first increase since the COVID pandemic began earlier this year.
- ▲ On other economic data front, the US September Empire Manufacturing Index rose +13.3, to 17.0, stronger than expectations of +3.2, to 6.9. Conversely, August manufacturing production rose +1.0% m/m, weaker than expectations of +1.3% m/m, although July was revised upward to +3.9% m/m, from the initially-reported +3.4% m/m.
- ▲ The rally in crude oil was capped, due to an IEA forecast of a drop in oil demand. The International Energy Agency cut its forecast for 2020 oil demand growth, due to the coronavirus pandemic. In a closely-watched monthly report, the IEA trimmed its outlook for worldwide oil demand growth to 91.7 million barrels per day. This marks a contraction of 8.4 million BPD year-on-year, more than the 8.1 million BPD contraction, predicted in the August report.
- ▲ Meanwhile, the OPEC also cut its estimates for world demand by 400,000 barrels a day, for both this year, and the next. It now sees a drop in demand of 9.5 million barrels a day in 2020, and a rise of 6.6 million barrels in 2021.

Outlook

- ▲ Crude oil prices are holding firm, due to production damage in the Gulf of Mexico, which has been affected by the hurricane and positive economic data globally. We expect a broader trend in crude oil to remain negative for the short-term, due to abundant supplies from the US and OPEC+ nations. WTI crude oil could find support near the 10-days EMA at 38.7, and the critical resistance level around the 200-days EMA of 40.95.

GOLD PRICES TO GET FURTHER DIRECTION FROM THE FED MEETING LATER TODAY

- ▲ Gold prices are trading firm today. Meanwhile, it may get further direction from US Federal Reserve's policy meeting later today.
- ▲ The Fed decision will be followed by a news conference, by Chairman Jerome Powell. The US central bank, last month, adopted a more accommodative approach to inflation, and pledged

to keep interest rates low for longer. Lower US interest rates are supportive for gold prices.

- ▲ Meanwhile, European economic data on Tuesday was bearish for gold, but positive for silver, and industrial metals demand. The German September ZEW expectations index unexpectedly rose +5.9, to a 20-1/4 year high of 77.4, stronger than expectations of -2.0, to 69.5.
- ▲ Gold found support from speculation that the ECB may boost stimulus measures to fight the risks of deflation. ECB Executive Board Member, Panetta, said on Tuesday that "the results achieved by our monetary policy measures are not fully satisfactory yet, as price pressures, and inflation expectations are expected to remain subdued."
- ▲ Gold prices are likely to find support from the ongoing COVID pandemic. It has curbed global growth prospects, and prompted the world's central banks to maintain, or even expand their QE programs, which is bullish for gold demand, as a store of value. The COVID virus has now infected 29.487 million persons globally, with deaths exceeding 933,000.

Outlook

- ▲ Gold prices are trading higher, following weakness in the Dollar Index. The focus is shifting towards the Fed meeting later today. Gold prices are likely to find support near the 50-days EMA at \$1,928, while a crucial resistance could be seen around \$1,994 and \$2,007 per ounce.

ALUMINIUM – UPTREND INTACT

- ▲ The US has said on Tuesday that it will remove 10% tariffs on raw Canadian aluminium, as long as imports of the metal stay below certain levels that are expected to "normalize" over the next four months. In response, Canada dropped a threat to impose billions of dollars of retaliatory tariffs and sections, marking the end of a trade spat between the two North American nations.
- ▲ According to the U.S. trade representative's office, the decision came after consultations with Canada determined that aluminium imports, during September-December 2020, are expected to fall 50% from the January-July period of the current year.
- ▲ Inventory (on warrant) at SHFE has shrunk by 53%, from 305,203, to 144,853 mt, while LME inventory has increased by almost 29%, from 1,014,425, to 1,255,675 mt, since 1st April, 2020; this has given rise to the prices in China being at a premium to that in London. Parity, which is the difference between the SHFE and the LME, after calculating for the VAT and the currency, is currently trading at 670 Yuan, indicating a strong trend for Chinese aluminium, driven by fundamental demand for the metal.
- ▲ Aluminium cash to three month difference, which is the difference between cash and rolling three months on the London Metal Exchange, is trading at a discount of \$39, signifying lower spot demand on the LME.

Outlook

- ▲ Aluminium is trading above the 20-days SMA in a higher high, higher low formation, indicating the trend to be positive. Aluminium could trade with a positive bias, and rise further towards \$1,815 & \$1,830 levels, while support is seen at \$1,770 & \$1,740 levels.

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