
Gold prices to remain firm near \$1,960 level
Lead continues its uptrend
Crude oil prices to remain firm on trade talk hopes with the US

GOLD PRICES TO REMAIN FIRM NEAR \$1,960 LEVEL

- ▲ Gold prices have bounced from last week's low of \$1,874.2, and are holding firm near \$1,960 level. Gold prices are expected to remain under pressure, as the US continues to remain in a stalemate over an additional US stimulus plan, and US-China trade tensions are easing, as China is importing more crude from the US.
- ▲ On the economic data front, Japan's real GDP shrank to 485 trillion yen, the lowest since April-June 2011. The Japanese economy shrank at an annualized rate of 27.8% in April-June, against a forecast of a 27.2% drop. This is the biggest drop since 1980.
- ▲ Data released last week, showed that retail sales in China remained weak, with a contraction of 1.1 per cent. Meanwhile, industrial growth remained steady in July. Industrial production in China grew by 4.8 per cent in July, from a year earlier. On the jobs data front from the US, at least 28 million people are still receiving unemployment checks, and the job market is still under stress in the US. US retail sales increased less than expected in July, and could slow even further in the coming months.
- ▲ On the coronavirus front, as on 16th Aug, more than 21.94 million people have been reported to be infected globally, and 7,61,779 have died.
- ▲ According to the CFTC report for the week ending 11th August, Gold Futures' net long positions dropped by 14 693 contracts to 2,24,053. Speculative long positions declined 14 980 contracts, while shorts also dropped 287.
- ▲ Meanwhile, SPDR Gold Trust holdings fell 0.30%, to 1,248.29 tonnes on Friday.

Outlook

- ▲ Gold prices will find support near the 50-Days EMA at \$1,892, and the 100-Days EMA at \$1,814. Meanwhile, key resistance could be seen around the 10-Days EMA at 1,970, and the next level of resistance is seen near \$2,002 level.

LEAD CONTINUES ITS UPTREND

- ▲ Operating rates for primary lead smelters in major lead producing provinces increased by 1.1% to 56.4%, for the week ended 14th August, from the previous week. The operating rates for secondary lead smelters were up by 4.07%, to 58.2%, from the previous week. Secondary lead smelters recycle used lead, including those found in car batteries. Decent operating rates at the secondary lead smelters indicate that the recycle industry is picking up.
- ▲ On warrant inventory at SHFE, increased by 357%, from 6,245 mt, on 1st April 2020, to 28,559 mt, on 14th August 2020, while at LME, the inventory increased by 94.83%, from 52,675 mt, to 102,675 mt during the same time period. The increase in inventory has happened, due to a lower base during April-2020.
- ▲ Parity, which is the difference between the SHFE and the LME, after calculating for the VAT and the currency, is currently trading at 754 Yuan, indicating a strong trend for Chinese lead, driven by fundamental demand for the metal.

Outlook

- Lead is trading above the short-term moving averages on the daily charts, and is trading on the upper Bollinger Band on the weekly charts, suggesting the trend to be positive in the near term. The metal could rise towards \$1,985 & 2,015 levels, while support is seen near \$1,925 & \$1,900 levels.

CRUDE OIL PRICES TO REMAIN FIRM ON TRADE TALK HOPES WITH THE US

- Crude oil prices are up, ahead of an OPEC meeting this week, and US-China trade talk hopes. China is buying more crude from USA. Chinese state-owned oil firms are transporting nearly 20 million barrels of U.S. crude for August, and September. In a signal to ease tensions, China ramped up energy, and farm purchases, ahead of a review of the Sino-U.S. trade deal.
- OPEC+ JMMC meeting will take place on August 19th. At the prior meeting, OPEC+ had agreed to taper its record production cuts of 9.7mbpd, to 7.7mbpd, from the beginning of August, which had been in line with the original plan. However, with oil prices somewhat broadly steady, we can expect the OPEC to adopt an approach of 'wait and watch', and it will not have much of an impact on oil prices.
- According to the CFTC Commitments of Traders Report, for the week ended August 11, net long positions for crude oil futures plunged by 15 331 contracts, to 5,20,935 for the week. Speculative long positions declined by 10 925 contracts, while shorts added by 4,406.
- The number of US oil rigs slipped for the week, by 4 rigs for the second week in a row, according to Baker Hughes data, bringing the total to 172, compared to the 770 active oil rigs, this time last year.
- The EIA's estimate for oil production in the United States fell for the week ending August 7—the last week for which there is data, at 10.7 million barrels of oil per day. Oil production in the United States is 2.4 million bpd less than its all-time high, reached earlier this year.

Outlook

- WTI Crude oil prices are likely to find support on an improvement in the US energy demand. Immediate support could be seen around the 20-Days EMA at \$41.59, and the 50-Days EMA at \$38.85. Meanwhile, key resistance levels are seen around \$43.44.

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