DAILY ANALYSIS REPORT

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Gold drops after EU approve the Brexit deal, Subject to pass from both EU and UK parliament

Copper to remain negative over weak economic data, rising stock at LME, and easing mine supply

US Crude oil inventory soared by 10.5 million barrels against the expectation of built of 2.8 million

Gold drops after EU approve the Brexit deal, Subject to pass from both EU and UK parliament

- Gold fell from the highs of the day, after UK Prime Minister Boris Johnson said that he has secured 'great new deal' with EU. The president of the European commission has also confirmed that a deal has been agreed upon. The deal is subject to the approval of the European Parliament and the UK House of Commons, who will vote in a special sitting on Saturday. If the deal is passed then Brexit could be in the rear view before the Oct. 31 deadline.
- The US retail sales fell by 0.3% in September compared with 0.6% in August, which was the first drop in seven months. US data raises concerns about the health of the US economy. US tariff on $100 billion worth of Chinese goods was implemented at the start of September and was one of the reasons behind sales drop.
- 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. Chicago Federal Reserve President Charles Evans agrees with the two additional interest rate cuts this year. He believes that no more rate cuts needed through 2020 and considers the economy and policy both in "a good place" for now.

Outlook

- Gold dropped after UK secured a deal with EU to exit from the Union, but still the same has to be passed by European Parliament and the UK House of Commons. Clarity over Brexit will be negative for Gold prices in near term. A partial deal between the US & China in the first phase has lowered gold prices. Reduced demand from top consumers like India during the festive season is also keeping gold prices under pressure. We expect gold to trade negative and find support near $1,478-1,464 per ounce, while crucial resistance could be around $1,526-1,544 levels.

COPPER TO REMAIN NEGATIVE OVER WEAK ECONOMIC DATA, RISING STOCK AT LME, AND EASING MINE SUPPLY

- Recent progress in trade talks between the US and China led to no positive outcome and hence copper prices sold off. Weak US retail sales data kept copper prices under pressure. US President Donald Trump and Chinese President Xi Jinping are scheduled to meet in Chile for the APEC forum next month. US President Donald Trump said he shall not sign any trade deal until he meets President Xi Jinping.
- According to International Monetary Fund (IMF) Global economic growth is expected to fall to 3% this year, the slowest pace since the 2008 financial crisis and down from a 3.6% seen in 2018. If global growth slows below 2.5%, that would mean a recession. The trade conflict between the US and China is one of the key reasons behind it.
- Copper production is set to increase in Peru after armed forces unblock access to country's largest mine. Copper accounts for 60% of Peru's total exports. The blockage was affecting four mines. The biggest one is Las Bambas which accounts for 16% of Peru's entire copper output. The mine had targeted output between 385,000 tonnes to 405,000 tonnes of copper production this year, versus 385,000 tonnes in 2018.
- Copper miner Antofagasta PLC reached a labor agreement with a union of supervisors at its flagship Los Pelambres mine in Chile, easing supply concerns.
- The LME will raise its trading and clearing fees 8% from January 2020, its first increase in five years to fund new projects and keep up with inflation.

Outlook

- The copper supply situation is easing in Peru and Chile and rising inventories at LME to keep copper prices low. Copper found support after EU and UK finalized a Brexit deal which is subject to clear by the parliament. LME Copper3M contracts could find support near $5,720-5,669 per ton, while crucial resistance could be seen around $5,872-5,910 per ton. US-China trade talks are still far from a complete deal, and another round of negotiations could provide some more direction in the future.

US CRUDE OIL INVENTORY SOARED BY 10.5 MILLION BARRELS AGAINST THE EXPECTATION OF BUILT OF 2.8 MILLION

- US crude inventories soared by 10.5 million barrels to 432.5 million barrels in the week to Oct. 11, according to the American Petroleum Institute's weekly report. Analyst expected a 2.8 million barrels rise in Reuter's survey report. EIA will release its weekly crude oil inventory report today.

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 is affecting oil demand. Brent oil may find support around $57.37-56.10 per barrel, while a critical resistance around $59.66-60.82 per barrel. Brent oil prices under pressure after a huge built-in crude oil inventory. 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.

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Prepared by:
Mr. Kamlesh Jogi | Market Research Analyst
email: kamlesh.jogi@abans.co.in
Phone: +91 22 68354176 (Direct)

Abans Broking Services (P) Limited
36, 37, 38A, 3rd Floor, 227 Nariman Bhavan, Backbay Reclamation, Nariman Point, Mumbai-400 021
Phone +91 22 61790000 | Fax +91 22 61790000
Email: info@abans.co.in | Website: www.abans.co.in

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