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Global aluminium production is contracting this year  
US Crude oil inventory continued to increase from the last five weeks

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## GLOBAL ALUMINIUM PRODUCTION IS CONTRACTING THIS YEAR

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- According to the National Bureau of Statistics (NBS), China's production of primary Aluminium dipped 1.6% from a year ago to 2.9 million mt in September. China produced 26.37 million mt Aluminium in the first nine months of 2019.
- Meanwhile, a report released last month by the International Aluminium Institute (IAI) says world Aluminium production dropped by 0.6% to 42.5 million tonnes, in the first eight months of 2019.
- Aluminium stocks at LME monitored warehouse stand at 1271200 mt at the start of 2019, but are now at 979575 mt in October 2019, nearly a 23% drop in the inventory. Aluminium stocks at SHFE warehouse were at 672185 mt at the start of the year 2019, which is now 319873 mt, nearly a 52% drop in inventories. This drop into stocks was mainly because of production shortage in China during August and September.
- Outages at two key smelters in China have affected annual production. Top producer China Hongqiao Group's facilities were hit by flooding on Aug. 11, and Xinfu Group also closed potlines due to an explosion a week later, meaning September was the first full month with those lines shutdown. Smelting lines usually take several months to resume production fully.
- But the slowdown in global growth has reduced demand for industrial metals. China's economy grew at the slowest rate in 27 years in the third quarter. US-China trade war is affecting the use of industrial minerals. The Chinese economy expanded 6% in July to September quarter in comparison to 6.2% from April to June quarter.
- Lacklustre demand in China is keeping prices lower; Aluminium prices have dropped nearly 7% in the current year. Any positive outcome from US-China trade talks could provide further direction to the prices. A partial deal between the two nations is yet to be signed by US President Donald Trump. China's commerce ministry said on Thursday that China hoped to reach a phased agreement with Washington as early as possible and make progress on cancelling tariffs on each others' goods.

### Outlook

- LME 3M aluminium prices could remain in a broader range of \$1690-1750 per tonne with negative trend following weakness in demand, although loss in inventory and production could keep the market in balance. Any positive outcome from US-China trade deal could push Aluminium prices till \$1824 per tonne.

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## US CRUDE OIL INVENTORY CONTINUED TO INCREASE FROM THE LAST FIVE WEEKS

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- US crude inventories soared by 9.3 million barrels to 434.9 million barrels in the week to Oct. 11, Energy Information Administration (EIA) said. Bloomberg survey report expected a build of 2.8 million.
- In last one-month crude oil inventories have increased by 18.832 million barrels to 434.90 from 416.068 million barrels on Sept. 18 or 4.5% increase in one month. The EIA said that at 434.9 million barrels crude oil inventories were 2 per cent above the five-year average for the season. Weakness in demand is the main reason behind the increase in inventories.
- US oil production remained at 12.6 million barrel per day, which is at the same level as last week. But US oil production is still 1.7 million barrels per day higher year on year basis. According to EIA estimates Oil production could average around 12.3 million barrels per day in the year 2019, which will be 1.3 million barrel up from 2018 levels.

### 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 given a huge build in crude oil inventory and rising US oil production. 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](mailto: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](mailto:info@abans.co.in) | Website: [www.abans.co.in](http://www.abans.co.in)

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