
Gold trade sideways ahead of US Federal Reserve meeting, 25bp rate cut is priced in
Saudi Arabia could resume halted oil supply sooner than anticipated
FI's outflow keeping domestic currency under pressure
Copper may receive support from US-China trade talks starting from Thursday

GOLD TRADE SIDEWAYS AHEAD OF US FEDERAL RESERVE MEETING, 25BP RATE CUT IS PRICED IN

- ▲ Gold price trades in range as traders maintained a cautious stance ahead of US Federal Reserve's policy decision on interest rate today. The market is pricing a high probability that the US Federal Reserve will cut interest rates by 25 bps, which will keep gold prices supported. Federal Reserve Chair, Jerome Powell said that the US Central Bank would continue to act "as appropriate" to sustain the economic expansion. Lower interest rates reduce the opportunity cost of holding non-yielding gold.
- ▲ Positive economic data have supported US dollar and keeping gold prices under pressure. US manufacturing output increased steadily in August, boosted by a surge in the production of machinery and other goods.
- ▲ Optimism over US-China trade front is looking negative for gold prices. US President Donald Trump confident of sealing a deal on trade with China before the US presidential election, or an agreement could be reached the day after US voters go to the polls.
- ▲ Uncertainty on Brexit from Euro zone is supporting gold prices firm.
- ▲ Japan's exports slipped for a ninth straight month in August as international trade tensions ramped up risks for the world's third-largest economy, although the decline was slightly smaller than expected.
- ▲ Geopolitical tensions in the Middle East are keeping gold prices afloat.

Outlook

- ▲ Mounting tensions in the Middle East after the drone attack on Saudi Aramco have increased risk premium and improved safe-haven demand for gold. There is a high possibility that the US Federal Reserve may cut interest rates by 25 bps in the September month's meeting today along with the ECB taking rates lower to stimulate the economy. The ECB's decision to start bond-buying will create more liquidity in the system, taking interest rates further negative which shall support gold in the medium term. We expect CME Gold futures contracts to find a stiff resistance near \$1,568-1,583 levels, while an immediate support level can be seen around \$1,501-1,488 per ounce.

SAUDI ARABIA COULD RESUME HALTED OIL SUPPLY SOONER THAN ANTICIPATED

- ▲ Oil prices slipped after Saudi Arabia's energy minister sounded confident that Aramco will restore lost oil production by the end of the month. Saudi Aramco has informed some Asian refiners that it will supply full allocated volumes of crude oil in October with some changes.
- ▲ Trump tweeted Monday that the U.S. is "locked and loaded," raising alarm after the attack on Saudi Aramco, but is not interested in waging a war.
- ▲ Still caution is warned about Middle East tension after the US confirmed the attacks originating in southwestern Iran. Iran has denied involvement in the strikes. Further escalation of conflict in the Middle East may halt oil production in near future.
- ▲ US President Trump said oil is to be released from strategic petroleum reserves after Saudi attacks to keep the market well supplied.
- ▲ API Report - US crude inventories rose by 592,000 barrels in the week ended Sept. 13 to 422.5 million against expectation of a decline of 2.5 million barrels. Official U.S. government data will be released today.

Outlook

- ▲ A sudden spike in Brent oil prices after the drone attack on Saudi Aramco has led to a decrease in the oil supply for the short term. Rising tensions in the Middle East post the Aramco attack may keep oil prices higher. However, supply assurance from the US and improved supply from Aramco may put some pressure on oil prices at higher levels. Brent oil could find support around 63.80-60.50 levels, while key resistance remains near 69.70-72.40- levels.

FII'S OUTFLOW KEEPING DOMESTIC CURRENCY UNDER PRESSURE

- ▲ A significant drop from after huge rally in Crude oil prices lending some support to Indian rupee but outflow from foreign institutional investor is keeping domestic currency at bay.
- ▲ Oil prices rallied on Monday following an attack on Saudi Aramco, Saudi Arabia is the second-largest supplier of crude to India. Asian currencies recovered some losses after crude oil prices dropped seeing ease in supply situation much earlier than anticipated.
- ▲ Finance Minister Nirmala Sitharaman is set to announce some additional fiscal measures in the coming days and infrastructure could be an area of action.
- ▲ The ECB decision to cut interest rates and starting a new bond-buying program will support emerging markets as inflows could improve further.
- ▲ US-China will discuss tariff issue again on Thursday. US President Trump's delaying of the increase in Chinese tariffs by 15 days have supported global equities in recent past.

FII and DII Data

- ▲ Foreign Funds (FII's) sold shares worth Rs. 808.29 crores, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs. 85.76 crores on September 17th.
- ▲ In Sept'19, FII's net sold shares worth Rs.6375.5 crores, while DII's were net buyers to the tune of Rs. 6758.39 crores.

Outlook

- ▲ The ECB's decision to cut interest rates and the starting of a new bond-buying program will support the economies of emerging markets as fund inflows will improve. The rupee lost heavily against the dollar following a sharp rally in crude oil prices. Eyes are on the US FED meeting today. The Rupee may recover till 70.80 against the US dollar in the short term following measures by Government of India to plan to stimulate economy, optimism over US-China trade war, a possible interest rate cut by US fed and dovish policy by measure by other central banks such as ECB, BOE and PBOC; meanwhile, we can see the rupee trading in a broader range of 71-72.30 in the short to medium term.

COPPER MAY RECEIVE SUPPORT FROM US-CHINA TRADE TALKS STARTING FROM THURSDAY

- ▲ US President Donald Trump said on Tuesday his administration could seal a deal on trade with China before the U.S. presidential election, or an agreement could be reached the day after U.S. voters go to the polls.
- ▲ The US-China Deputy level talks to start this Thursday are lending some support. President Trump announced a delay in the tariff increase on \$250 billion worth of Chinese goods from Oct. 1 to Oct. 15 as a "gesture of goodwill" to China.
- ▲ China reciprocated this gesture, by renewing purchases of U.S. farm goods. The US and China are set to meet later in October. Progress on the trade front may revive some lost demand in copper.
- ▲ The US Federal Reserve is expected cut interest rates today, but now eyes are on central bank's language and new economic projections, given the backdrop of the trade war. The slowdown in China's economy deepened in August, with growth in industrial production at its weakest in 17-1/2 years.
- ▲ Metals prices remain pressure from a stronger US dollar, which traded close to recent two-year highs on ongoing geopolitical risks in the Middle East.

Outlook

- ▲ LME 3M Copper contracts dropped from the recent high of \$5,979 per ton on poor Chinese economic data, but optimism over US-China trade talks could provide support at lower levels. Recent economic stimulus by the People's Bank of China through RRR cuts, ECB's decision to cut rates, bond-buying program by the ECB and a probable second rate cut by the US Federal Reserve could support demand at lower levels. Copper may find import support around \$5,849-5,767 per ton while key resistance can be seen near \$6,036 per ton.

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