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Losses in Gold were limited due to weakness in the US Dollar  
Oil production in the USA to resume as Hurricane Sally moves away  
Copper – uptrend intact

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## GOLD LOSSES WERE LIMITED DUE TO WEAKNESS IN THE US DOLLAR

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- ▲ Gold prices tumbled to a 1-week low on Thursday, following global central banks' indications, although losses were limited due to weakness in the US Dollar. Fed Chairman, Mr. Jerome Powell, said that the Fed is "satisfied" with the current size and shape of its asset purchase program, which dashed hopes that the Fed might further expand its QE program. Gold found support, due to weakness in the Dollar Index, after weaker-than-expected economic data.
- ▲ Weakness in the Dollar Index increased after the economic data release. US weekly initial unemployment claims fell -33,000 to 860,000, showing a weaker labour market than expectations of 850,000. Also, August housing starts fell -5.1%, to 1.416 million, weaker than expectations of 1.488 million, and August building permits unexpectedly fell -0.9%, to 1.470 million, which was weaker than expectations of an increase to 1.512 million. Meanwhile, the industrial metal, silver, was also under pressure, after the Eurozone economic data showed that Eurozone August new car registrations fell -18.9% y/y, to 769,525, the eighth consecutive month that registrations have declined, and which is a sign of weak auto sales.
- ▲ Weakness in gold was supported as the BOJ failed to boost its stimulus measures, and instead upgraded its economic assessment. The BOJ at Thursday's policy meeting kept its benchmark interest rate at -0.1%, and left the yield target and asset purchases unchanged.
- ▲ Although dovish ECB comments were bullish for gold prices, the ECB Governing Council member, Rehn, has said that Eurozone inflation has "persistently lingered too low, and there is a risk that this trend will continue." Also, ECB Vice President, Guindos, said that the ECB "watches very closely the evolution of the exchange rate and its impact on inflation and our target for price stability."
- ▲ Swiss gold exports increased to India and China but dropped for the USA. In total, Switzerland exported 116.5 tonnes of gold in August, up from 102.6 tonnes in July. Switzerland exported 20.2 tonnes to India, the most since May 2019, and sent 10 tonnes to China, the first shipment since February.

## Outlook

- ▲ Gold prices are trading higher, following weakness in the Dollar Index. We expect gold to trade in a range of \$1,930-\$1,994 for the short-term. Gold prices are likely to find support near the 50 -days EMA at \$1,930.55, while crucial resistance could be seen around \$1,994 and \$2,007 per ounce.

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## OIL PRODUCTION IN THE USA TO RESUME AS HURRICANE SALLY MOVES AWAY

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- ▲ A rally in oil prices would be capped, with the US resuming its oil production, which was affected by hurricane Sally. US offshore drillers and exporters began a clear up on Thursday, after closing down for five days. Crews were flown back to at least 30 offshore oil and gas platforms.
- ▲ In Saudi Arabia, exports rose in July to 5.73 million barrels per day (BPD) from a record low in the previous month.

- ▲ Meanwhile, OPEC and its allies have said that the group would take action on members, which are not complying with deep output cuts to support the market, following a coronavirus-led slump in fuel demand. Oil prices found support after this comment. The Organization of the Petroleum Exporting Countries (OPEC) and other producers, such as Russia, making up the so-called OPEC+ group, are cutting 7.7 million barrels a day of output, and the group compliance was at 101% in August.
- ▲ Crude prices also found support from the weekly inventory report, as US crude inventories unexpectedly fell -4.39 million bbl, to a 5-month low.

## Outlook

- ▲ Oil rallied as inventories fell, and the hurricane hit output. Crude oil prices are also supported by an OPEC report of 101% compliance for oil production cuts. WTI crude oil could find support near the 10- days EMA at \$39.71 per barrel, and critical resistance level around \$43.46-\$43.68 per barrel.

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## COPPER – UPTREND INTACT

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- ▲ Copper on the London Metal Exchange hit more than a two-year high on Friday, helped by a weaker dollar, and strong buying on expectations that Chinese stimulus would increase demand in China
- ▲ According to Japan Electric Wire and Cable Makers' Association, Japan's copper cable sales, domestic and exports declined 15.9% in August, on a year-on-year basis, to 44,600 mt.
- ▲ On the inventory side, on warrant Inventory at SHFE declined by 66%, from 216,414 mt, on 1st April 2020, to 73,370 mt, on 17th September, 2020, while at the LME, the inventory declined by 74%, from 177,250 mt, to 46,700 mt, during the same time period. A drawdown in the inventory in both exchanges indicates robust consumption, as demand continues to rise.
- ▲ Drawdown in the inventory at LME has ensured that copper cash is trading at a premium of \$27 over the three-month contract, suggesting tight physical supply situation at the LME, which is an indication of robust demand.
- ▲ Copper parity (price comparison between LME & SHFE in terms of Yuan adjusted for Vat and currency), is currently trading at -176 Yuan, which is below the zero level, along with positive cash to 3-months spread, signifying strong physical demand at the LME, which seems to be the primary reason for the relentless rally in the industrial metal.

## Outlook

- ▲ Copper continues to trade in a higher top, higher bottom formation, signifying the trend to be bullish for the industrial metal. Copper could rise towards \$6,880 & \$6,940 levels, and can find support at \$6,720 & \$6,590 levels in the near term.

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