
Gold may find support, as Dollar Index at two-year low
Oil prices to trade in a range, eyes on OPEC+ meeting, and Inventory Report
Aluminium continues to trade higher

GOLD MAY FIND SUPPORT, AS DOLLAR INDEX AT TWO-YEAR LOW

- ▲ Gold prices are trading firm, as the Dollar Index fell below the two-year low. US-China trade tensions are also providing support to precious metals. Gold prices have bounced from the 12th Aug low of 1,874.2, and are holding firm, with gains of more than 7%.
- ▲ Gold is likely to find safe-haven demand over increased US-Chinese tensions. On Saturday, US-China 6-month review of the phase-one trade deal was indefinitely postponed, and the Trump administration on Monday added 38 Huawei affiliates in 21 countries to the US economic blacklist.
- ▲ On the economic data front, US housing starts report came better than expected for July. The US July housing starts report of +22.6%, to 1.496 million, was much stronger than expectations of a modest rise to +1.245 million.
- ▲ The ongoing Covid pandemic continues to support safe-haven demand for gold. Confirmed cases of Covid have risen above 22.1 million globally, and deaths have exceeded 778,000.
- ▲ Gold may get further direction from the Fed meeting minutes, which will be released later today. In the last meeting, the FOMC kept its rate targeted in a range between 0%-0.25%, and said that the rate would stay there, until officials are "confident that the economy has weathered recent events, and is on track to achieve its maximum employment, and price stability goals."
- ▲ Meanwhile, on the US stimulus front, the U.S. Congress has so far failed to agree on another fiscal relief package to stem the economic fallout from the pandemic.

Outlook

- ▲ Gold prices are likely to remain firm, and a key support level is seen around the 10-Days EMA at \$1,986, and the 20-Days EMA at \$1,965. Meanwhile, important resistance could be seen around \$2,040 and \$2,076 levels.

OIL PRICES TO TRADE IN A RANGE, EYES ON OPEC+ MEETING, AND INVENTORY REPORT

- ▲ Oil prices are holding firm near \$42.50; the focus is shifting towards Wednesday's meeting of the OPEC+ Joint Ministerial Monitoring Committee. No major policy changes are expected at that meeting. The group is expected to report compliance with the OPEC+ production cut agreement. OPEC+ trimmed its production-cut agreement from the starting of August, to 7.7 million bpd, from the 9.6-9.7 million bpd levels, seen in May-July.
- ▲ Meanwhile, crude prices are firm, as China has been aggressively buying US oil. China bought 14 million bbls of U.S. oil, equaling seven super-tankers, for loading in September, and shipments to China. This would be twice as much of oil as China purchased from the U.S. in August. China, in the phase-one trade deal, agreed to buy \$50 billion of U.S. energy exports during 2020-21.
- ▲ Crude oil prices are likely to remain under pressure, due to increased OPEC production, the

coronavirus pandemic, and worries over world economic growth. Some European countries have renewed travel quarantines, which impact jet and motor fuel demand. German Chancellor, Merkel, on Tuesday, has said that she will not loosen pandemic restrictions, because virus infections are increasing.

- ▲ API Report - The American Petroleum Institute (API) reported a drop in crude oil inventories of 4.264 million barrels for the week ending August 14. The market expectations were for a drop of 2.67 million barrels. The EIA will release official inventory data later today.

Outlook

- ▲ Crude oil prices are likely to trade in a range between \$41.67-43.72 levels, and it may find strong support around the 20-Days EMA at \$41.67, and the 50-Days EMA at \$38.89. Meanwhile, key resistance levels could be seen around \$43.72 and \$44.47.

ALUMINIUM CONTINUES TO TRADE HIGHER

- ▲ Aluminium continues to trade higher, and is near the highest level since January 2020. A new trade war between the U.S. and Canada has started, after tariffs imposed by the United States, have taken effect on Sunday. According to President Trump, Canada is trying to flood the U.S with cheaper imports, triggering retaliatory duties, under the terms of a revised trade deal. It would be prudent to expect retaliation from Canada.
- ▲ SHFE September aluminium contract, which is the most liquid contract, had hit a 33-month high (15,545 Yuan) in July, and this has cooled down a bit since then, and is now trading near 14,435 Yuan. Spot premiums are expected to trade between 65-90 Yuan per metric ton.
- ▲ Inventory (on warrant) at SHFE has shrunk by 52%, from 305,203, to 145,801 mt, while LME inventory has increased by almost 33.70%, from 1,014,425, to 1,355,900 mt, since 1st April 2020; this has given rise to the prices in China, being at a premium to that in London. Parity, which is the difference between the SHFE, and the LME, after calculating for the VAT and the currency, is currently trading at 475 Yuan, indicating a strong trend for Chinese aluminum, driven by fundamental demand for the metal.

Outlook

- ▲ Aluminium is trading above the 20-Day SMA in a higher high, higher low formation, indicating the trend to be positive. Further, it has also breached the upper Bollinger Band on the weekly charts, supporting the above view. Aluminium could rise further towards \$1,815 & \$1,835 levels, while support is seen at \$1,720 & \$1,690 levels.

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