
US gold futures are trading flat ahead of the important US Federal Reserve meeting minutes
Copper in a range near support levels, weakness in US dollar keeping prices firm
Brent oil rallied following larger inventory drop in the US than forecast
Indian rupee recovers marginally, tracking weakness in the dollar and FII's inflows;

US GOLD FUTURES ARE TRADING FLAT AHEAD OF THE IMPORTANT US FEDERAL RESERVE MEETING MINUTES

- ▲ Gold prices were in a tight range after recovering from the key \$1,500 an ounce level. US gold futures were flat ahead of an important US Federal Reserve meeting minutes (for the August meeting) which are due to be released today.
- ▲ US Federal Reserve's Jackson Hole seminar on Friday and a G-7 Seven summit this weekend may provide further clues about the steps that policymakers may take to boost global economic growth.
- ▲ We see a higher chance of a 25 basis-points cut in U.S. interest rates in September.
- ▲ The dollar index was flat after drifting away from a three-week high, which was hit on Monday.
- ▲ Trade war tension continued as US President Donald Trump said to confront China over trade
- ▲ The U.S. extended a reprieve that permits Huawei to buy components from U.S. companies to supply existing customers, but also moved to add more than 40 of Huawei's units to its economic blacklist.
- ▲ A temporary payroll tax cut will provide a boost to the US economy and improve sales numbers in the near future. The Trump administration is considering a tax cut for millions of workers to boost the economy and stave off fears of a recession.
- ▲ Hopes for further economic stimulus across the globe are rising and keeping the dollar index firm

Outlook

- ▲ Gold futures contracts on CME are facing stiff resistance around \$1,523-1,530 per ounce levels and remains under pressure on stimulus projections by several leading economies to counter a slowdown. We can expect gold to turn negative if it breaks below \$1,500 per ounce. Gold could move further down to \$1,483 if it breaks key support levels. We are keeping a close eye on the US Federal Reserve meeting minutes due on Wednesday for further clues. Federal Reserve Chairman Jerome Powell will deliver a speech on Friday at the central bank's annual Jackson Hole conference.

COPPER IN A RANGE NEAR SUPPORT LEVELS, WEAKNESS IN US DOLLAR KEEPING PRICES FIRM

- ▲ LME copper prices remain higher from the previous closing. The US dollar fell from a three-week high and markets wait for the minutes of the Federal Reserve's July policy meeting. However, the trend remains negative on concerns of weak demand in the top metals consumer, viz., China.
- ▲ ICSG Report - The global world refined copper market showed a 62,000 tonnes deficit in May, compared with a 124,000 tonnes deficit in April. A reduction in the deficit is indicative of the fact that the supply situation may be normal, while a fresh drop in demand could increase warehouse inventories at major exchanges in the future.
- ▲ Uncertain talks over US-China trade war is keeping copper prices in a range; President Donald Trump on Tuesday is to confront China on trade issues even if it has caused short-term harm to the US economy because it had been cheating the US for decades.
- ▲ Prior to this, optimism on trade talks increased after the US allowed Huawei Technologies to buy products from US suppliers.
- ▲ An economic stimulus announcement from the US, Germany, and China may lead to a further improvement in the demand for industrial metals.
- ▲ Positive news on interest rates may push demand for base metals as China's central bank introduced a key interest rate reform to reduce borrowing costs for companies and support a slowing economy. The reform is equivalent to making a loan rate cut of 45 basis points.

Outlook

- ▲ LME 3M Copper may find a critical support base around 5,700-5,665 levels, while important resistance could be seen around 5,820-5,855 levels. We expect copper to bounce from support levels over positive economic news such as stimulus by US & Germany and interest rate reforms in China aimed at boosting the economy. Uncertainty over US-China trade issues may keep prices in a range, while dovish statements coming from the Fed meeting minutes could provide support at lower levels.

BRENT OIL RALLIED FOLLOWING LARGER INVENTORY DROP IN THE US THAN FORECAST, BUT GLOBAL ECONOMIC WORRIES MAY LIMIT THE GAINS

- ▲ Prices for Brent oil rose amidst data that showed a larger-than-expected drop in US crude inventories, but uncertain trade discussions between US-China have increased worries about a global economic recession, and this is keeping oil prices lower.
- ▲ API Inventory Report - U.S. crude oil stocks fell by 3.5 million barrels to 439.8 million in the week ending August 16 against expectations of 1.9 million barrels. The Energy Information Administration (EIA) Report is due to release today.
- ▲ Tensions in the Middle East remained in focus as U.S. Secretary of State Mike Pompeo said on Tuesday that the country would take every action it can to prevent an Iranian tanker sailing in the Mediterranean from delivering oil to Syria in contravention of U.S. sanctions.
- ▲ Crude prices also remained firm on lower exports data in June from Saudi Arabia. Saudi Arabia plans to keep its crude oil exports below 7 million bpd in August and September. It wants to bring the market back to balance by keeping production lower.
- ▲ Crude oil prices also remained firm as major economies might enact stimulus measures to counter a possible global economic slowdown that could affect oil demand.

Outlook

- ▲ Economic stimulus announcements from US, Germany, and China may further improve oil demand. Brent oil may find support near 58.20 - 57.60 levels, while important resistance can be seen around 61-61.50 levels. US oil inventory fell more than the forecasts, while Saudi Arabian imports declined in June indicating a tighter supply condition in the coming months. The OPEC and non-OPEC Ministerial Monitoring Committee would meet in Abu Dhabi on September 12 to review the oil market.

INDIAN RUPEE RECOVERS MARGINALLY, TRACKING WEAKNESS IN THE DOLLAR AND FII'S INFLOWS

- ▲ Volatility continued in the domestic equities market as investors remained concerned over uncertainties on economic growth. Good progress in the monsoons and effective passing of interest rate cuts to the consumers could provide support to the market.
- ▲ The Reserve Bank of India will release the minutes of the bi-monthly policy review meeting of the MPC, which concluded on August 7.
- ▲ The Indian government is believed to be planning to take measures to combat the slowdown.

FII and DII Data

- ▲ Foreign Funds (FII's) bought shares worth Rs. 373.23 crores, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs. 296.4 crores on 20th August.
- ▲ In Aug'19, FII's net sold shares worth Rs. 8,982 crores, while DII's were net buyers to the tune of Rs. 12,526 crores.

Outlook

- ▲ Weakness in Asian currencies against the US dollar is keeping the Indian rupee under pressure. The rupee has become the worst-performing currency in Asia. Domestic institutional investors also remained supportive and infused a total of Rs. 32,920 crores into domestic equities in July and August. However, rising crude oil and continuous FII's outflow may keep the domestic currency under pressure. We expect the Indian rupee to remain under pressure and it may weaken further. USD-INR futures contracts on NSE may find support around 70.60-69.90 levels while immediate resistance can be seen around 71.80-72.50 levels.

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