
Copper hovers around 28-month high on stimulus hopes
Weakness in the dollar is providing support to gold
Russia may support keeping cuts in global oil output

COPPER HOVERS AROUND 28-MONTH HIGH ON STIMULUS HOPES

- ▲ Hope for a US stimulus is keeping copper prices firm, along with industrial growth in China. The US Congress has moved closer to an agreement on a coronavirus relief bill on Tuesday, which could help a recovery in the economy.
- ▲ Copper prices are trading near 28-month high near \$6,972 per ton. Weakness in the US dollar, and a strong Yuan, are also supporting prices. The dollar hit a one-month low, while the Yuan touched a two-year high.
- ▲ China's refined copper output rose 10.3%, year-on-year, in September. China's robust demand is supporting the current rally in prices.
- ▲ Copper also found support, as China's September vehicle sales jumped +13% y/y, to 2.57 million, adding to August's +11.7% y/y increase.
- ▲ Meanwhile, the International Copper and Study Group (ICSG) expects global copper mine production to decline by about 1.5% in 2020, for a second consecutive year, predominantly due to Covid-19 related disruptions, especially in Peru.
- ▲ However, the Group expects mine output to recover by 4.5% in 2021, with the help of supply increases from recently commissioned mines and expansions.
- ▲ As per the ICSG, global refined copper output is expected to increase by 1.5% in 2020, and the next year as well. Global consumption is expected to remain unchanged in 2020, and grow by 1.1% in the next year.
- ▲ The ICSG anticipates the global copper market to encounter a supply deficit of 50kt for the current year, and forecasts a surplus of 70kt for 2021.
- ▲ Copper inventory at LME monitored warehouses dropped by -725 mt, as on October 20th. In the last one month, LME copper inventory has increased by 104,275 mt, which is 56% of the total LME-registered stocks at 183,175 mt on October 20th.

Outlook

- ▲ Copper prices are likely to trade higher, due to supply concerns, and Chinese demand. LME 3 month contract is likely to find support around the 50-days EMA at \$6,615, and the 100-days EMA at \$6,399. Meanwhile, an immediate resistance level could be seen around \$7,208-7,321 levels.

WEAKNESS IN DOLLAR IS PROVIDING SUPPORT TO GOLD

- ▲ Gold prices are trading higher following optimism over US stimulus and weakness in the dollar. President Donald Trump has said that he was willing to accept a large aid bill, despite opposition from his Republican Party.
- ▲ On the economic data front, U.S. September housing starts were at 1.415 million, although this was weaker than expectations of +1.465 million. Meanwhile, September building permits, a proxy for future construction, rose +5.2%, to a 13-1/2 year high of 1.553 million, stronger than expectations of +1.520 million.

- ▲ Comments on Tuesday from Chicago Fed President, Evans, were supportive for gold; he said "we need to be careful not to prematurely raise rates", and that the focus should probably be on the balance sheet, if the Fed decides that it needs to provide more support to the economy.
- ▲ Comments on Tuesday from an ECB Governing Council member also supported a positive move in gold. He said, "We must maintain significant monetary stimulus until we achieve a strong recovery" as the economic shock from the Covid pandemic has been deeper than initially anticipated.
- ▲ Meanwhile, in total, Switzerland exported 105.9 tonnes of gold in September, up from 112 tonnes in August. Switzerland's gold exports to China and India dwindled in September. Switzerland exported 1.5 tonnes of gold to China in September, with 2.4 tonnes exported to Hong Kong and 5 tonnes to India, the customs data shows.

Outlook

- ▲ Stimulus hopes and dovish central bank expectations are likely to provide support to gold prices. Gold prices are likely to find support near the 100-days EMA at \$1,882. Meanwhile, key resistance is seen around \$1,949-\$1,973 levels.

RUSSIA MAY SUPPORT KEEPING CUTS IN GLOBAL OIL OUTPUT

- ▲ Crude oil prices are trading firm, on the back of stimulus hopes, and weakness in the US dollar. Crude oil found additional support from China's passenger vehicle sales data, and a Reuters report that Russia may support keeping cuts in global oil output unchanged after this year, when they are due to be eased, if global markets worsen, due to the sluggish demand, and a surge in new Covid cases.
- ▲ Meanwhile, a ministerial panel of OPEC+, pledged on Monday to support the market in the face of the pandemic's hit to demand.
- ▲ As per an API report, crude inventories rose by 584,000 barrels in the week upto October 16, to about 490.6 million barrels. The EIA will release its official inventory report later today. The consensus is for Wednesday's weekly EIA crude inventories to climb by +500,000 bbl.
- ▲ Reduced fuel demand in Europe is negative for crude prices. France, Spain, and Italy, are imposing travel restrictions.
- ▲ Increased crude production in Libya is bearish for crude prices. On October 3, Libya's National Oil Corp. lifted force majeure, and increased its daily output to 110,000 bpd, which has helped push total Libyan crude production to around 500,000 bpd.

Outlook

- ▲ We expect that demand concerns, due to the covid pandemic, and increasing supply from OPEC nations, are likely to keep oil prices under pressure. WTI crude oil prices are likely to find support around \$38.45-37.80 per barrel. Meanwhile, stiff resistance could be seen around \$42.65-44.10 per barrel.

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