

Brent trading firm ahead of US sanction on Iran, the US warns of a tough sanction waivers

- U.S. sanctions against Iran's crude exports will be implemented next month.
- The United States under President Donald Trump is trying to reduce Iranian oil export to zero to force the country to renegotiate an agreement on its nuclear program.
- U.S. Treasury Secretary Steven Mnuchin quoted saying that it would be hard for countries to get sanction waivers than it was during the previous Obama administration, a reason to worry for Asian consumers such as India and China
- OPEC agreed in June to boost supply in order to make up for the expected disruption to Iranian exports, though media reports suggest that OPEC is struggling to add more oil.
- Fatih Birol, executive director of the International Energy Agency (IEA), said on Monday that other producers may struggle to fully make up for the expected Iran disruption, and that oil prices could rise further.
- Top Consumers such as China and India were stockpiling in anticipation of further disruptions and higher seasonal demand.
- U.S. drillers added four oil rigs in the week to Oct. 19, bringing the total count to 873; U.S. crude production is set to rise on the other hand the ongoing China-US trade war could have a negative impact on demand.

Outlook:

- Brent Oil is unable to hold its gains and break support level of 79.23, currently trading in the range of 78-81. Focus has shifted back to 61.8% Fibonacci retracement level of 76.61 and 73.88 Stiff resistance is seen near 82.63, further bullishness can be expected only if crosses this level.

Shanghai Steel: Winter production cut at Hebei province after “orange” pollution alert

- China's top steel-producing cities in Hebei province issued second-level smog alerts.
- The “orange” pollution alerts in 10 cities, including top steel producer Tangshan began on Friday and will last through Monday. Tangshan ordered 50% production for steel mills. But average production cut would be lesser this year nearly 30%-35% in comparison of 42% last year.
- Relaxed winter cut would pressurize steel prices .
- Xuzhou, a city in China's No. 2 steelmaking province Jiangsu also announced plans to cut output of steel, coke and other raw materials in winter, but did not share details .

Outlook:

- SHFE Rebar –Rebar prices have not held on to the gains after a bullish move from 3900-4200 in last two weeks, facing key resistance around 4206-4225, and further bullishness can be expected only on a break above its resistance of 4225.. Next level of resistance is near 4299-4418 while important support levels are at 4095-3962 and 3900.
- SHFE Hot Rolled Coil Future are range bound and found support around 4200-4176, upcoming winter cut is likely to strengthen prices in the near term. Bullish move is expected above 4336 towards 4390 while limited decline could be seen on a close below 4176 till 4124 in near term. •
- Iron Ore prices are projected to drop from recent highs as November is considered as off season for steel demand thus reducing Iron Ore demand too.

Copper Outlook positive while above \$6400

- Copper & Nickel rose to around one week high in Asia today as sentiment was optimistic due to positive equity markets
- LME copper prices advanced for a 2nd session on Monday, extending a rally fuelled by a pledge from China's central bank that it would support firms with liquidity issue, the pledge was supported by comments from Chinese President Xi Jinping on 21st Oct that the Govt. would always support private-sector firms
- China's copper import premium are at \$117.50 a ton, recent three-year high was of \$120 per ton, indicating strong demand for physical metal in China
- Expansionary economic policy is expected to increase demand for copper improving the sentiment and taking copper prices higher
- Dollar index declined on Friday and is trading flat today helping base metals trade higher, copper continues to look bullish for a further rise towards \$6400

Outlook

- LME 3M Copper has advanced sharply in the last two consecutive trading session, it has some resistance near \$6340 above which it could target \$6400 & \$6480. Support is seen near \$6200 & \$6125.

Gold trading near 1230 on geopolitical tensions, rising dollar a threat to Gold prices

- Geopolitical issues such as murder of Saudi Journalist, Italy's budget and Brexit keeping gold near three months high
- Rising US dollar a risk to bullish gold
- Saudi Arabia's foreign minister Adel al-Jubeir quoted saying that murder of journalist was a "tremendous mistake" and blamed it on a "rogue operation." He added that crown prince Mohammed bin Salman, was not aware of the murder. UK, France and Germany condemned the murder.
- The European Commission issued a letter last Friday, saying that Italy's budget includes excessive spending and the Italian government has until Monday noon to have a dialogue with the commission.
- Protest in London in favor of second Brexit referendum, but PM Theresa May ruled-out such an option.

Outlook:

- Gold is finding support near 1221-1216 range, a breakout above 1236 will shift focus towards next level of 1263-1287 in medium term. Immediate support below 1216 is seen at 1206 and 1197. Minor corrective dips from current levels can be considered as opportunities to create fresh long positions on closing stop loss below 1206.

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