DAILY ANALYSIS REPORT

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ABANS

US Gold hovers near $1,500 ahead of the annual Jackson Hole Economic Policy Conference

Disappointing manufacturing data from the US and Germany keep copper prices under pressure

Oil trades sideways amid weak US factory activity data and supply cut from OPEC+

The Indian rupee plunged to 72 against the US dollar, set for the biggest monthly fall in six years

US GOLD HOVERS NEAR $1,500 AHEAD OF THE ANNUAL JACKSON HOLE ECONOMIC POLICY CONFERENCE

- US Gold hovers near $1,500 ahead of the annual Jackson Hole Economic Policy conference. The Fed might not sound dovish at this meeting, and this may push gold prices lower in case of a hawkish tone. The Fed might provide some direction about future rate cuts after its 25-basis points reduction in July and how aggressively they are going for it.
- The Fed chair is under immense pressure from President Donald Trump to announce 100 basis points cut in rates.
- We expect the Fed to cut interest rates by another 25 basis points at its next meeting in September.
- The European Central Bank (ECB) officials signaled to launch a big stimulus package next month, which could include rate cuts and asset purchases, to arrest the region's economic slowdown.
- SPDR Gold Trust's holdings rose 0.34% to 854.84 tonnes on Thursday.

Outlook

- US Federal Reserve's Jackson Hole seminar scheduled for today and a G-7 Seven summit this weekend may provide further clues about the steps that policymakers may take to boost global economic growth. 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. The Fed meeting minutes have disappointed the markets.

DISAPPOINTING MANUFACTURING DATA FROM THE US AND GERMANY KEEP COPPER PRICES UNDER PRESSURE

- US factory activity fell in August for the first time since September 2009. The IHS Markit Manufacturing Purchasing Managers' Index slipped to 49.9 in August from a final July reading of 50.4.
- Germany's private sector continued to struggle in August. Markit's flash composite Purchasing Managers' Index (PMI) edged up to 51.4 from 50.9 the previous month against the market expectations of 50.50.
- French PMI data suggests that business activity has expanded in August. Data compiler IHS Markit has said that it's flash composite Purchasing Managers Index (PMI) rose to 52.7 points from 51.9 in July against the market expectations of 51.8 points.
- Eurozone August flash manufacturing PMI was 47.0 vs the expectation of 46.2.
- Copper may find support from the US jobs report and trade talks between the US and China.
- US initial jobless claims dropped 12,000 to a seasonally adjusted 209,000 for the week ended August 17; the decline was sharper than expected.
- US and Chinese trade negotiators held a "very constructive" call. The US is still planning for a round of in-person talks in September.
- The Minutes of Fed's last month's meeting showed that policymakers were deeply divided over whether to cut interest rates, but were united in wanting to signal that they were not on a preset path to more rates cuts.

Outlook

- LME 3M Copper may find a critical support base around 5,700-5,665 levels, while important resistance could be seen around 5,820-5855 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. Copper may also find support from the US jobs report and trade talks between the US and China. US Initial jobless claims dropped 12,000 - this decline was sharper than expected. US and Chinese trade negotiators held a "very constructive" call. The US is still planning for a round of in-person talks in September.

OIL TRADES SIDEWAYS AMID WEAK US FACTORY ACTIVITY DATA AND SUPPLY CUT FROM OPEC+, EYES ON JACKSON HOLE ECONOMIC POLICY CONFERENCE

- Oil prices to remain up, supported by production cuts from OPEC+; US sanctions have reduced exports from Iran and Venezuela. Crude oil prices corrected marginally after the US government data showed a drawdown in domestic crude stocks but a rise in refined product inventories. All eyes are now on the Fed Chairman's speech as the Federal Reserve may signal an interest rate cut and the quantum of the rate cut.
- Oil demand is affected due to a slowdown of industrial activity in the US which has declined for the first time in almost a decade. Worldwide demand for petroleum-derived fuels to power trucks, trains, airplanes, and ships has been derailed by the trade war between the US and China.
- Tensions in the Middle East remained in focus and crude oil prices may find some support from a possible supply threat from Iran. If Iran's oil exports are cut to zero, international waterways will not have the same security as before, said Hassan Rouhani, President of Iran.
- Crude prices may remain firm on lower exports data in June from Saudi Arabia, which 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 may receive support as major economies might enact stimulus measures to counter a possible global economic slowdown that could affect oil demand.

Outlook

- Uncertainty over the global economic outlook amidst the US-China trade war and news of a slowdown in US industrial activity may limit the gains in the oil markets. Brent oil may find support near 58.20 - 57.60 levels, while an important resistance can be seen around 61- 61.50 levels. US oil inventory fell more than the forecasts, but a rise in fuel inventories kept oil prices under check. Tensions in the Middle East remained in focus while crude prices may remain firm on lower exports data in June from Saudi Arabia. We expect oil to trade in range of 57.60-61.50 with positive trend.

THE INDIAN RUPEE PLUNGED TO 72 AGAINST THE US DOLLAR, SET FOR THE BIGGEST MONTHLY FALL IN SIX YEARS

- The Indian rupee plunged to 72 against the US dollar and is set for the biggest monthly fall in six years over tumbling equities; incessant foreign fund outflows also weighed on sentiment. The sudden drop in Chinese Yuan also increased volatility in emerging market currencies.
- The Fed Chairman's comments at the Jackson Hole Seminar could provide further direction to world currencies. The Fed Chairman's comment will be important on the matter of trade tensions, global economic slowdown, and US rate cut plans.
- Equities are struggling to make a comeback in Asia following weak US manufacturing activity data and uncertainty over how much further the Federal Reserve would cut rates.
- The 10-year Indian government bond yield was at 6.577% compared to its previous close of 6.56%. In the US bond market, the closely watched two-year, 10-year Treasury yield curve briefly moved back into inversion overnight.

Outlook

- The Indian rupee has become Asia's worst-performing currency in August amidst pressure from China's Yuan, the ongoing trade war, and a massive withdrawal of funds by FPI's after a change in their tax structure. The rupee has become the worst-performing currency in Asia. 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 an immediate resistance can be seen around 72.07-72.50 levels.

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