
Crude prices under pressure on demand worries and increasing US inventories
Strength in Dollar Index after hawkish Fed comments is likely to keep gold under pressure
Aluminium – near term trend remains sideways

Crude prices under pressure on demand worries and increasing US inventories

- ▲ Oil prices fell after the API report was released. As per the report, crude oil inventories rose by 691,000 barrels, against expectations of a drop of 2.256 million barrels, for the week ending September 18, meanwhile, gasoline stocks fell by nearly 7.7 million barrels. The EIA will release official data later today.
- ▲ Crude oil prices are also under pressure, on a possible loss of demand due to rising coronavirus infections. Many countries, such as France, Spain, and the UK are planning to impose a new level of restrictions.
- ▲ Crude oil prices are likely to remain under pressure, following the potential resumption of oil supply from Libya. Libyan General Haftar has said on Friday that he would end the blockade on Libyan crude oil exports. Before the blockade, Libya's crude production was 1.1 million BPD.
- ▲ Bank of America Global Research has today predicted that crude prices will remain range-bound in the mid-\$40 per bbl area, until jet fuel demand recovers, and that a substantial rally in crude may not even be seen until 2021, when summer gasoline demand comes back.

Outlook

- ▲ We expect the crude oil prices to remain under pressure, due to weakness in world energy demand, on account of the coronavirus pandemic, and increasing oil supplies from the US and OPEC+ members. WTI crude oil could trade towards the next support level of \$38.90-37.50, and critical resistance level could be seen around the \$40.90

Strength in the Dollar Index after hawkish Fed comments is likely keep gold under pressure

- ▲ Gold prices remained under pressure, following hawkish comments from the Fed, than what was expected. Chicago Fed President Evans has said, "We could start raising interest rates before we start averaging 2% in inflation."
- ▲ The dollar also found support from better-than-expected economic data from the US. On the economic data front, US August existing home sales rose +2.4% m/m, to 6.00 million, right on expectations, and the highest in 13-1/2 years. Also, the September Richmond Fed Manufacturing Survey Current Conditions Index unexpectedly rose +3, to a 2-year high of 21, stronger than expectations for a decline to 12.
- ▲ Meanwhile, gold found some support from dovish comments from the ECB Executive Board member, Panetta. He said that he is worried about the sheer size of the downside risks to the Eurozone economy, and that he supports pre-emptively adding monetary stimulus to fend off the risk of the economy worsening.
- ▲ US-China tensions could also provide some support to gold. US President, Donald Trump, told the United Nations General Assembly, that China must be held accountable for having "unleashed" Covid-19 on the world, and he accused China of "lies" and abusing the United Nations platform to provoke a confrontation.

- ▲ Safe-haven precious metals are likely to find support from increasing Covid-19 cases globally. The pandemic has curbed global growth prospects, and prompted the world's central banks to maintain, or even expand their QE programs. The Covid-19 virus has infected 31.530 million persons, with deaths exceeding 970,000 globally.

Outlook

- ▲ Gold prices are holding in a range after the recent drop; Gold may find strong a support base around the 100-days EMA at \$1,869; meanwhile crucial resistance could be seen near the 20-days EMA at \$1,951.

Aluminium – near term trend remains sideways

- ▲ Aluminium, since the beginning of September, has been trading sideways in the \$1,815-\$1,740 range, suggesting a lack of trend for the metal. In China, the liquid SHFE October contract is trading near 14,650 Yuan, and the spot premium are trading in the 100-130 Yuan per metric tonne mark.
- ▲ Inventory (on warrant) at SHFE has shrunk by 65%, from 305,203, to 107,020 mt, while LME inventory has increased by almost 24%, from 1,014,425, to 1,232,750 mt, since 1st April 2020, and 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 687 Yuan, indicating a strong trend for Chinese aluminium, driven by fundamental demand for the metal.
- ▲ Aluminum cash to three months difference, which is the difference between cash and rolling three months on the London Metal Exchange is trading at a discount of \$41.5, signifying abundant near term supply.

Outlook

- ▲ Aluminium is currently around the 20-days SMA, supporting the view of a sideways trend. Momentum indicators are flat, signifying a lack of momentum for the metal. It could continue to trade sideways in the \$1,815-\$1,740 range, before breaking out in either direction.

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