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Gold is trading in a tight range, due to minor strength in the Dollar Index  
Oil prices to remain negative on US oil production, and ceasefire in Libya  
Lead – uptrend intact

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**GOLD IS TRADING IN A TIGHT RANGE, DUE TO MINOR STRENGTH IN THE DOLLAR INDEX**

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- ▲ CME Gold Futures contract closed last week at \$1,947.6 per ounce, with a minor change from the previous week. Gold is trading in a tight range, due to minor strength in the Dollar Index against other currencies, and FOMC's July meeting minutes. However, US-China trade tensions have provided some support to gold.
- ▲ This week, the focus will be shifting towards the second quarter GDP data from Germany, which is expected to show a 10.1% drop in economic activity, on a YOY basis. The markets will also be eying the Jackson Hole Symposium, and the durable goods order report from the US. On Thursday, Jerome Powell, Chair of the Board of Governors of the Federal Reserve System, will be discussing the Fed's monetary policy framework in his opening remarks.
- ▲ US political developments remain in focus, gold prices could find support, if US releases details of the next round of fiscal stimulus, but stalemate persists around the next round of stimulus. Republican convention begins from today.
- ▲ According to the CFTC Commitments of Traders report for the week ended August 18, Gold Futures' net long positions slipped by 535 contracts, to 223,518. Speculative long positions declined by 4,498 contracts, while shorts fell by 3,963.

**Outlook**

- ▲ Gold prices are likely to remain firm, and a key support level is seen around the 50-days EMA at \$1,903, and the 100-days EMA at \$1,824; meanwhile an immediate resistance could be seen around \$1,980-\$2,037 levels.

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**OIL PRICES TO REMAIN NEGATIVE ON US OIL PRODUCTION, AND CEASEFIRE IN LIBYA**

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- ▲ Oil prices were trading down last week, despite increasing tensions between the US and Iran, and reports that China is expected to increase its crude oil imports from the US. Oil prices dropped after Libya declared a ceasefire. Libya is going to increase global oil production to a well-supplied oil market.
- ▲ Baker Hughes reported on Friday, that the number of oil rigs in the United States rose by 11, to 183. An increase in oil rigs could signal a further increase in oil production in the US, and is termed to be negative for the oil market. According to the EIA's estimate, oil production in the US stayed at 10.7 million barrels per day, for the week ending August 14, which is 2.4 million bpd less than its all-time high reached earlier this year.
- ▲ According to the CFTC Commitments of Traders report for the week ended August 18, net long positions for crude oil futures, declined by 10,240 contracts, to 510,695 for the week. Speculative long positions fell by 17,242 contracts, while short positions dropped by 7,002.
- ▲ US Federal Reserve Chairman, Jerome Powell's speech on the opening day of the annual Jackson Hole conference on Thursday, will be closely watched for further direction. The speech at the Jackson Hole conference, signals important shifts in monetary policy, or the economic outlook by the central bank.

- Oil prices could find minor support this week, as some oil producers began to shut down some crude production on Saturday, ahead of tropical storms, Laura and Marco, which are forecasted to hit the Gulf of Mexico by mid-week. The US Gulf of Mexico offshore wells account for 17% of the total US crude oil production, and 5% of the total U.S. natural gas production.

## Outlook

- Crude Oil WTI Future contract prices may trade negative, following supply worries from OPEC+ members, and a weakness in the world economy, due to the coronavirus pandemic. It may find strong support around the 20-days EMA at \$41.94, and the 50-days EMA at \$39.23; meanwhile, key resistance levels could be seen around \$43.60, and \$44.70.

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## LEAD – UPTREND INTACT

- Operating rates for primary lead smelters in major lead producing provinces increased by 0.90%, to 57.3%, for the week ended 21st August, from the previous week. The operating rates for secondary lead smelters were up by 1.8%, to 60.0% from the previous week. Secondary lead smelters recycle used lead, including those found in car batteries. Decent operating rates at the secondary lead smelters indicate that the recycle industry is picking up.
- On Warrant Inventory at SHFE, increased by 349%, from 6,245 mt on 1st April, 2020, to 25,090 mt, on 21st August, 2020, while at LME, the inventory increased by 105%, from 52,675 mt, to 114,375 mt, during the same time period. The increase in inventory has happened, due to a lower base, during April, 2020. Lead prices have rallied even as inventory rose; this was due to an increase in demand, along with positive sentiment around Chinese demand.
- Parity, which is the difference between the SHFE and the LME, after calculating for the VAT and the currency, is currently trading at 532 Yuan, indicating a strong trend for Chinese lead, driven by fundamental demand for the metal.

## Outlook

- Lead has achieved our previously mentioned upside target of \$2,015, and has exceeded it, lead is trading above the short-term moving averages on the daily charts, suggesting trend to be positive in the near term. The metal could rise towards \$2,020 & 2,045 levels, while support is seen near \$1,955 & \$1,935 levels.

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