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Gold drops from recent highs after U.S. President says China wants to negotiate over trade war  
China's copper concentrate imports rise to all-time highs in July  
Optimism over US-China trade limited decline in oil prices  
Indian rupee recovers after hitting above 72-mark on exemption of FPI's from the super-rich tax

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## GOLD DROPS FROM RECENT HIGHS AFTER U.S. PRESIDENT SAYS CHINA WANTS NEGOTIATION TALK

- On Friday, U.S. President Donald Trump announced a 5% additional duty on \$550 billion in targeted Chinese goods, hours after Beijing unveiled retaliatory tariffs on \$75 billion worth of U.S. products. Gold was the beneficiary of increased geopolitical tensions. However, sentiments changed on Monday after the U.S. President said that China wants to negotiate over trade war, which pushed gold prices down from the recent highs.
- At the annual Jackson Hole Summit, US Federal Reserve Chairman Jerome Powell has said that the global economic outlook has been deteriorating and that the Federal Reserve will act appropriately to sustain the expansion. Mr. Powell sounded concerned about the US trade war with China and the European slowdown but emphasized that the US economy is close to both its goals of achieving price stability and full employment.
- Hedge Funds and Money Managers increased their bullish stance in COMEX gold. According to the latest CFTC data for the week ending August 20, net long positions for gold futures rose by 9,903 contracts to 299,993. Speculative long positions gained +6 071 contracts, while shorts dropped -3 832.
- SPDR Gold Trust's gold holdings have increased by about 27 tonnes so far this month. Its holdings rose 0.58% to 859.83 tonnes on Friday.

### Outlook

- Gold prices cooled down from the 6 years highs after the U.S. President has said that China wants to negotiate over the trade war. We expect gold to find a stiff resistance near \$1,568 while an immediate support level can be seen around \$1,501-1,488 per ounce. Eyes are on President Trump's move to restart US China trade talks, which will remove the risk premium from the market and equities may rally and put gold prices into a negative trend.

## CHINA'S COPPER CONCENTRATE IMPORTS RISE TO ALL-TIME HIGHS IN JULY

- China's refined copper cathode imports rose 37.6% in July from the previous month to 292,201 tonnes. China's imports of copper concentrate rose to an all-time high in July, exceeding 2 million mt for the first time. This was up 12.6% from July 2018 and over 40% from June as smelting capacity in China spiked.
- Copper reacted negatively on Friday after U.S. President Donald Trump announced a 5% additional duty on \$550 billion in targeted Chinese goods, but copper prices bounced on Monday after the President's latest comments to restart US-China trade talks.
- China wants to boost its infrastructure sector and plans to ease capital requirements for infrastructure projects in the second half of this year.

### Outlook

- LME 3M Copper may find a critical support base around 5,700-5,665 levels, while important resistance could be seen around 5,820-5,855 levels. We expect copper to bounce from support levels over positive economic news such as stimulus by US & Germany and an infrastructure boost as well as interest rate reforms in China aimed at boosting the economy. Copper will find fresh support from the U.S. President's comments on the trade war front as China wants to negotiate over the trade war.

## OPTIMISM OVER US-CHINA TRADE LIMITED DECLINE IN OIL PRICES

- Oil prices recovered from Friday's losses after optimism improved over US-China trade talks after President Trump's comments on negotiation.
- Concerns about an economic slowdown kept oil prices under pressure last week as oil demand is projected to drop if US-China trade tensions are not resolved.
- U.S. Federal Reserve Chairman Jerome Powell told an annual economic symposium in Jackson Hole that the U.S. economy is in a "favorable place" and the Federal Reserve will "act as appropriate" to

keep the current economic expansion on track. The remarks gave few clues about whether the central bank will cut interest rates at its next meeting.

- ▲ U.S. manufacturing industries registered their first month of contraction in almost a decade.
- ▲ Hedge funds and other money managers raised their bullish bets on U.S. crude for the week ended August 20; Net long for crude oil futures jumped +32,491 contracts to 414,635 for the week.
- ▲ US energy companies cut the oil rigs in about four months last week, with the rig count falling to the lowest since January 2018. The US oil and gas rig count fell sharply by 19. The total oil and gas rig count now stands at 916 or 128 down from this time last year. US production, however, is holding fast at 12.3 million bpd.
- ▲ Oil prices to remain up, supported by production cuts from OPEC+; US sanctions have reduced exports from Iran and Venezuela.
- ▲ 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 pushed oil prices down last week but President Trump's comments on US-China trade negotiations lifted the bullish sentiment and oil prices recovered from the losses of the last week. Brent oil may find support near 58.20 - 57.60 levels, while an important resistance can be seen around 61 - 61.50 levels. 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 a range of 57.60-61.50 with a positive trend.

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#### RUPEE RECOVERS AFTER HITTING ABOVE 72-MARK ON EXEMPTION OF FPI'S FROM THE SUPER-RICH TAX

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- ▲ The Finance Minister announced that India may soon roll back an additional levy on foreign funds and announced other measures to boost economic growth, which supported the Indian rupee. The Government is believed to be finalizing a package to reverse the economic slowdown.
- ▲ China's Yuan recovered from an 11-year low against the dollar following comments by U.S. President Donald Trump on the sidelines of the G-7 summit.
- ▲ Oil prices weakened overnight – this could provide some support to the rupee.
- ▲ The RBI may cut interest rates more rapidly in the coming months to create demand in the economy. Significant moderation in retail inflation was resulting in softening of demand in the economy.
- ▲ Equity markets rallied along with the rupee after trade tensions between the US and China are looking to cool off. President Trump has said that China has asked to re-start trade talks, hours after Beijing's top negotiator called for calm in response to a weekend of tit-for-tat tariff increases.
- ▲ FII and DII Data
- ▲ Foreign Funds (FII's) sold shares worth Rs.1,737.2 crores, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs. 1,548.49 crores on 23<sup>rd</sup> August.
- ▲ In Aug'19, FII's net sold shares worth Rs. 12,393.02 crores, while DII's were net buyers to the tune of Rs. 16,147.8 crores.

#### Outlook

- ▲ The Rupee recovered from losses following measures taken by the Finance Minister regarding the FPI's super rich tax and President Trump's comments on China and tariff talks. Domestic Institutional Investors remained supportive and infused a total of Rs. 36,541 crores into domestic equities in July and August. USD-INR futures on NSE could find stiff resistance near 72.14-72.58 levels, while key support can be seen around 71.40-70.80 levels. The Indian rupee may remain positive in support of government measures to revive economic growth and hopes of progress in US-China trade talks.

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