
Gold prices to find support at 1,908 levels
Oil prices drop after Hurricane Laura makes a limited impact on the Gulf Coast
Rise in Copper supported by the Fed

GOLD PRICES TO FIND SUPPORT AT 1,908 LEVELS

- ▲ Gold prices traded negative, after a wild ride from \$1,976 to \$1,909. The movement in gold was attributed to the Fed Chairman, Powell's presentation, and the roller-coaster move in the US Dollar Index. The DXY fell to weekly lows of 92.44, and recovered to a daily high of 93.30. The Fed Chairman, Powell, said that FOMC would target to bring inflation above the 2%..
- ▲ Gold prices were up, after comments from ECB Executive Board member, and Chief Economist, Lane, that "there's not going to be a return to normal levels of economic activity for a considerable period," and the ECB "is ready" to add more monetary stimulus if needed.
- ▲ On the economic data front, US initial jobless claims remained above a million last week. Unemployment benefits fell 98,000 to a seasonally adjusted 1.006 million, against a market forecast of 1.0 million for the week ended August 22. US second-quarter GDP dropped to -31.7% (q/q annualized), which was revised down from the -32.9% initial estimate of the damage, this was against market expectations of -32.5%. Also, July pending home sales rose +5.9% m/m, stronger than expectations of +2.0% m/m.
- ▲ Gold prices are likely to find support from the COVID pandemic, which has now infected 24.371 million persons globally, with deaths exceeding 830,000. However, the 5-day average of new U.S. COVID infections, has dropped to a 2-month low of about 38,000 cases, and is substantially lower from July's peak near 70,000 cases.

Outlook

- ▲ Gold prices are likely to find support around the 50-days EMA at \$1,908, and the 100-days EMA at \$1,832; meanwhile, key resistance levels could be seen around \$1,975, and \$2,020.

OIL PRICES DROP AFTER HURRICANE LAURA MAKES A LIMITED IMPACT ON THE GULF COAST

- ▲ Oil prices fell after Hurricane Laura made a limited impact on the Gulf Coast. The rally in oil was halted, due to an increase in US oil production, and exports data. According to data from the US Interior Department's Bureau of Safety Environmental Enforcement, 1.559 million BPD, or 84% of U.S. crude production in the Gulf of Mexico, was shut down. Crude oil output in the Gulf of Mexico accounts for 17% of the total U.S. crude production.
- ▲ Crude prices are likely to remain under pressure, on the back of weekly inventory, and production data, which showed that U.S. crude oil inventories, as of August 21, were 15.2% above the seasonal 5-year average.
- ▲ US crude production in the week ended August 21, rose +0.9%, from a week earlier, to 10.8 million BPD. Net US crude imports fell last week, by just over 1 million barrels per day (BPD), as exports jumped by 1.2 million BPD, their most since February 2019.

- Meanwhile, an uptick in US energy demand, due to relaxation in the lockdown restrictions, is supportive for crude oil prices. According to the weekly EIA report, gasoline demand for the week ending August 21, rose by 6.2%, from the previous week, to 9.161 million BPD, and US jet fuel demand also rose by 16.5%, on a weekly basis, to 1.142 million BPD.

Outlook

- Supply worries from OPEC+ members, rising US oil exports, and a weakness in the oil demand, due to the coronavirus pandemic, will keep a lid on oil prices. WTI Crude oil on Nymex is likely to find key resistance levels around \$43.90 and \$44.60; meanwhile, strong support is seen around the 20-days EMA at \$42.35, and the 50-days EMA at 39.71.

COPPER RISE SUPPORTED BY THE FED

- Copper rose on Friday, supported by the U.S. Fed's statement that it would allow inflation to run hotter than 2%; this is likely to weaken the dollar, which is already trading near a 2-year low, and is likely to push commodities higher.
- An Indonesian unit would ease a lockdown at its Grasberg gold and copper mine, after protests by workers, disappointed over not being able to leave the mining complex for months, and are also demanding bonus for working during Covid-19. Mining operations were disrupted, as workers had blocked access to the mine.
- On the inventory side, on warrant Inventory at SHFE declined by 73%, from 216,414 mt, on 1st April 2020, to 57,795 mt, on 27th August 2020, while at LME, the inventory declined by 74%, from 177,250 mt, to 46,325 mt, during the same time period. With a drawdown in the inventory in both exchanges, it indicates that consumption has picked up in the ongoing Covid-19 unlock, and that demand is rising.

Outlook

- Copper continues to rise, and is currently trading above the 20-days SMA, and near the upper Bollinger Band. Momentum indicators are trading in positive territory, suggesting that it could gain further. The metal could rise towards 6,740 & 6,820 levels, and can find support at 6,490 & 6,370 levels in the near term.

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Prepared by:

Mr. Kamlesh Jogi | Market Research Analyst

email: kamlesh.jogi@abans.co.in

Phone: +91 22 68354176 (Direct)

Abans Broking Services (P) Limited

36, 37, 38A, 3rd Floor, 227 Nariman Bhavan, Backbay Reclamation, Nariman Point, Mumbai-400 021

Phone +91 22 61790000 | Fax +91 22 61790000

Email: info@abans.co.in | Website: www.abans.co.in

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