Brent above $81 per barrel on fear of Iran supply gap after US sanction starts in five weeks

- Brent remained above $81 per barrel and Crude oil WTI consolidates above 72.27, heading for third straight weekly gain
- **OPEC** showed little sign of immediate increase in production after president trump urged the cartel to step up production.
- *As per Reuters reports* OPEC and non-OPEC expected to marginally offset Iranian crude shortage post US sanction by producing 0.5 Million bpd extra, market reacting is muted to this news
- *According to preliminary data iranian crude export is expected to decline by close to 1.5mbd, when oil sanction kicks-in.*
- ***India** reported to cut Iranian crude imports to close to "Zero" for November delivery according to crude loading data as US sanctions on Iranian crude exports starts from 4th November 2018 although India strategically keeps pushing for sanction waiver*
- *Although Indian foreign minister Sushma Swaraj and Iranian Foreign Affairs minister Mohammad Javad Zarif met in US on sidelines of UN General Assembly, and assured commitment of economic cooperation between the two nations. Korea and Japan have already halted their Iranian crude purchase this month*
- Oil surged on the prospects of a supply crunch after the U.S. Energy Secretary Mr. Rick Perry ruled out the release of emergency crude reserves, adding to concerns over potential losses in Iranian supplies
  - Crude Oil inventory in the U.S. increased by 1.85 million barrels to about 396 million barrels last week. Inventories in the key oil storage hub in Cushing, Oklahoma, also increased for the first time in three weeks
  - U.S. crude production last week surpassed the previous 11 million-barrel-a-day record, government data showed

Outlook: Brent oil futures contract on ICE was forming a triple top near $80.40-$80.00 per barrel since May 2018 on the weekly charts; this resistance is expected to break on the higher side and now further bullishness can be seen towards the next level of $81.50 and $82.80 in the near term. Minor corrective dips till $80.10-$79.20 per barrel can be considered as a fresh buying opportunity with a stop loss below a strong support base of $78.60 per barrel.

Copper declined on stronger dollar but short term trend remains positive

- Copper fall after China scraps blanket winter output cuts on heavy industries this winter
- Fear of next round of tariffs by US on China has also kept Copper under pressure
- US Federal Open market committee raised interest rates by 25bps on 26th Sept strengthening the US dollar and putting pressure on commodities
- China golden day week 7 days holiday begins from Oct 1.
- SHFE weekly warehouse inventory increased by 966mt to 111995mt , data released on Friday 28 Sept. LME daily warehouse inventory dropped by 7500mt to 202400 mt ,

Outlook: LME 3M Copper has bounced after forming a short term bottom near $5774 per ton as mentioned earlier. It hit a high of $6380 from where it has declined to $6163, the near term trend remains positive and we expect a bounce towards $6330 again. In the medium term we can expect copper to hold its resistance of $6380 and decline towards $6060-6100 next week.

Gold at six week low, dollar firm on positive US economic data and Fed hike

- Gold future dropped to lowest level in six week at $1185.60 per ounce, dollar index trades above 94.50
- **U.S. economic growth** accelerated towards Trump administration's goal of 3 percent annual growth and 2.2 percent in the second quarter at its fastest pace in nearly four years. Durable goods rose 4.5 percent in August, rebounding from a revised 1.2 percent drop the month before.
- The U.S. Federal Reserve raised interest rates on Wednesday and said it planned four more increases by the end of 2019 and another in 2020.
- **India Demand -** Rising inflation and higher gold prices due to weakening Indian rupee are the key reasons behind lower demand for gold in the near term. Also, the inauspicious period of "Pitru Paksha Shrad" is holding back consumers to buy gold for 15 days which will end on 8th October, 2018. Indian demand for gold will be seen only during the upcoming festival season of Navratri, Dussehra and Diwali. The prospect of inflation reducing from current levels is unlikely in a rising fuel prices scenario.
- Indian government decided to keep import duties unchanged on Gold dore and Gold at 9.35% and 10% respectively. To curb widening current account deficit, Indian government has increased import duty on 19 other "Non-Essential" goods.

Outlook: Gold future broken support level of last six week at $1194 per ounce on daily closing basis, now headed towards next level of support at $1180 per ounce and $1172 per ounce for short term and positive move is seen only on a closing above $1208.70 per ounce, Minor pullback till $1189-$1194 per ounce can be considered as fresh selling opportunity.

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