
Positive Chinese factory number support copper prices

Gold softens following comment from US Treasury not to delist US companies currently.

Aramco oil production and US crude inventory is keeping oil prices lower

Rupee at multi week highs following recovery in Asian currencies and drop in oil prices

POSITIVE CHINESE FACTORY NUMBER SUPPORT COPPER PRICES

- ▲ Copper prices bounced following boost in China's factory activity. The Caixin/Markit Manufacturing Purchasing Managers' Index (PMI) for September rose to 51.4 from 50.4 in September against market expectations of 50.2.
- ▲ Chinese factory activity picked up in September on improving domestic demand. The official PMI was at 49.8 in September, slightly higher than 49.5 in August according to the National Bureau of Statistics.
- ▲ Chinese government is not looking keen to stimulate economy further. China hopes to resolve trade disputes with a calm and rational attitude. Both nations are set to meet for a talk on October 10-11.
- ▲ Chinese markets will be closed from Oct. 1 for the National Day holidays. Some sort of recovery was seen in prices last week after a comment from President Trump. He expects the deal with China sooner than people think.

Outlook

- ▲ Recovery in Chinese factory activity and optimism over US china trade war could provide support to Copper prices. Copper may find an important support around \$5,710 per ton, while key resistance can be seen around \$6,036 per ton. Although weakening global economic conditions may keep copper prices under pressure near resistance levels.

GOLD SOFTENS FOLLOWING COMMENT FROM US TREASURY NOT TO DELIST US COMPANIES CURRENTLY

- ▲ Gold prices trade weak as trade war between US-China cooled off after US treasury clarified not to delist Chinese companies. On Friday, President Donald Trump's administration announced to consider delisting Chinese companies from US stock exchanges but later US treasury clarified otherwise.
- ▲ US Economic activity is slowing down, US consumer spending barely rose in August and business investment remained subdued due to ongoing tariff war between US and China.
- ▲ SPDR Gold Trust holdings fell 0.22% to 922.88 tonnes on Friday.
- ▲ CFTC Report- Hedge funds and money managers increased bullish positions in COMEX gold in the week to Sept. 24
- ▲ An impeachment inquiry against President Donald Trump may provide support to gold prices in the near term.
- ▲ Geopolitical tensions blowing up from the Middle East after the Saudi attacks and uncertainty over Brexit could also lend support to gold.
- ▲ Boris Johnson insisting only his Conservative government can deliver Brexit on Oct. 31.
- ▲ Geopolitical issues are high in middle east which are providing support to gold prices, Saudi Arabia's crown prince warned that oil prices could spike to "unimaginably high numbers" if the world does not come together to deter Iran.

Outlook

- ▲ Gold is trading weak in anticipation of a positive deal between US-China but geopolitical issues across the globe are providing support. Issues such as Brexit, tension between Iran-Saudi, Impeachment inquiry against president trump and slowdown in global economy due to trade war is supporting gold prices. Comex gold may find support around \$1485 while key resistance level could be seen around \$1519-\$1543. Rate cut by various central banks will create additional liquidity in the system and this could support gold in the medium term.

ARAMCO OIL PRODUCTION AND US CRUDE INVENTORY IS KEEPING OIL PRICES LOWER

- ▲ Oil prices could receive some support from optimism over US-China trade talk, geopolitical issue in Middle East and increasing factory activity in china but rising crude oil inventory and Aramco production which is clawing back to normal is keeping oil prices under pressure.
- ▲ Saudi Arabia has restored capacity to 11.3 million barrels per day, the production was lost after a attack on Aramco on the Sept. 14
- ▲ Still geopolitical tensions in the Middle East remained higher after Saudi Arabia's crown prince warned that oil prices could spike to "unimaginably high numbers" if the world does not come together to deter Iran. But said he would prefer a political solution to a military one.
- ▲ According to an EIA report, US crude inventories rose 2.4 million barrels last week against market expectations of a decline by 249,000 barrels.
- ▲ China's factories unexpectedly ramped up production in September. US-China could resolve trade war issues in October and it could revive lost oil demand in the world economy.

Outlook

- ▲ Weak economic data from Japan and Europe increased the gloomy outlook for oil demand, and this will keep oil prices under pressure. We can see selling near resistance levels, however rising tensions in the Middle East post the Aramco attack and any resolution to US-China trade war could provide support to oil prices. Brent oil could find support around 60.50-58.80 levels, while key resistance remains near 64.40-69.70 levels.

RUPEE AT MULTI WEEK HIGHS FOLLOWING RECOVERY IN ASIAN CURRENCIES AND DROP IN OIL PRICES

- ▲ Asian currencies were trading higher and sentiments improved over US-China trade war and Indian rupee received additional support following a drop in Crude oil prices.
- ▲ Domestic market also received boost from government's plan to carve out a special resolution window under Section 227 of the Insolvency and Bankruptcy Code (IBC) to deal with NBFC's.
- ▲ The focus is turning towards the RBI policy meet this week on October 4th. Any dovish stance by the Central Bank could weigh down the rupee against the USD.
- ▲ Sentiment for domestic Equities improved after The government slashed the basic corporate tax rate to 22% from 30%, while for new manufacturing companies, it has been cut down to 15% from 25%.
- ▲
- ▲ Indications of an earlier-than-expected US-China trade deal boosted investor sentiment in Asian market as money could flow into riskier assets and domestic equities.
- ▲ FII and DII Data
- ▲ Foreign Funds (FII's) sold shares worth Rs. 213.6 crores, while Domestic Institutional Investors (DII's) sold shares to the tune of Rs. 458.68 crores on September 27th.
- ▲ In Sept'19, FII's net sold shares worth Rs. 6154 crores, while DII's were net buyers to the tune of Rs.11, 986 crores.

Outlook

- ▲ The Rupee may recover till 70.40-70.00 levels against the US dollar in the short term following measures by the Government of India to stimulate the economy through tax cuts for corporate, optimism over the US-China trade war, an interest rate cut by the US Fed and dovish policy measures by other central banks. Eyes are now turning towards the RBI policy meeting this week. We expect the RBI to remain dovish and a rate cut by 35 bps looks certain.

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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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