DAILY ANALYSIS REPORT

Wednesday, September 30, 2020

ABANS

Gold prices are firm on dovish fed comments and weakness in US dollar

Crude oil prices to remain under pressure on inventory report

Nickel prices are likely to find support around $14,196-14,038

GOLD PRICES ARE FIRM ON DOVISH FED COMMENTS AND WEAKNESS IN US DOLLAR

- Gold prices rallied above $1,900 on Tuesday following weakness into the dollar and dovish comments from the Fed.
- Although gold is trading firm over US stimulus speculation, House Democrats on Monday night released a new scaled-back $2.2 trillion COVID relief package proposal. A deal still seems unlikely without further compromise as President Trump indicated he could support only as much as $1.5 trillion in additional aid. A strong stimulus in US is supportive for gold prices.
- On the economic data front, the Conference Board's US Sep consumer confidence jumped +15.5 to a 6-month high of 101.8, stronger than anticipated 90.0. Also, the Jul S&P CoreLogic composite-20 home price index rose 3.95% y/y, stronger than expectations of +3.60% y/y and the largest increase in 19 months.
- Dovish Fed comments on Tuesday were positive for gold demand. Philadelphia Fed President Harker said, "It will take more time" for the US economy to recover and that employment in the US likely won't return to pre-COVID levels until 2023. Also, Dallas Fed President Kaplan said it'll be appropriate to keep interest rates near zero until the economy in on track to achieve maximum employment and inflation averaging 2% over time, which will take until late 2022 or "sometime in 2023."
- Gold also found support from deflation concerns in Europe. German Sep CPI (EU harmonized) fell -0.4% y/y, weaker than expectations of -0.1% y/y and the steepest pace of decline in 5-1/2 years.

Outlook

- Safe-haven demand and dovish central bank expectations are providing support to gold prices. Gold prices are likely to remain firm while above key support level of $1,845, immediate resistance level could be seen around 20 days EMA of $1,919.

CRUDE OIL PRICES TO REMAIN UNDER PRESSURE ON INVENTORY REPORT

- Crude oil prices fell on global demand concerns and an increase in Russian crude production. Russia's Energy Ministry reported that Russia's crude production in September rose to 9.93 million bpd from Aug's 9.87 million bpd and was above its agreed-upon OPEC+ quota of 8.99 million bpd.
- Meanwhile, Fed's comments on Tuesday were mixed for economic and energy demand prospects. Philadelphia Fed President Harker said, "It will take more time" for the U.S. economy to recover and that employment in the U.S. likely won't return to pre-COVID levels until 2023.
- U.S. crude oil stockpiles rose last week, while gasoline inventories fell by nearly 8 million barrels as per API report. Crude inventories rose by 691,000 barrels in the week to Sept. 18 to about 495.3 million barrels, compared with analysts' expectations for a draw of 2.3 million barrels. EIA will release official inventory report later today.

Outlook

- We expect the crude oil price to remain under pressure on weakness in world energy demand due to coronavirus pandemic and increasing oil supplies from U.S. and OPEC+ members. WTI crude oil could trade toward next support levels of $38.90-37.50 and critical resistance levels around $40.70-41.90

NICKEL PRICES LIKELY FIND SUPPORT AROUND $14,196-$14,038

- Nickel Prices on LME are trading near $14,340, slightly lower from this week's high of $14,642 on Tuesday.
- Industrial metals prices are expected to trade firm following positivity in China's economy. China's manufacturing purchasing managers' index in September rose to 51.5 from 51 a month earlier, according to data from National Bureau of Statistics Wednesday, beating the 51.3 estimate in a Bloomberg survey. The gauge gained on the back of stronger production and orders, while activity in the services sector also strengthened.
- China's home prices are expected to rise slightly more this year than expected, though at a slower pace than last year, as Beijing shifts to de-leverage the sector amid an economic recovery, a Reuters poll showed.
- Nickel inventories at warehouses tracked by the London Metal Exchange were increased by 450mt to 236,400mt on Tuesday. Nickel inventories have increased by 78,288mt in last one year which is 33% of current inventories while a minor drop in inventories is seen from 13th Aug 2020 due to positive demand outlook and increased consumption.
- Demand for metals is likely to improve after World Bank's revised forecast for Chinese economy; it now expects China's GDP to grow by 2.0 percent in 2020, up from the 1 percent projection released in June.
- On account of Mid-autumn festival and National day, SHFE will remain close from 1st Oct- 8th Oct.

Outlook

- Nickel prices may face stiff resistance around $14,624 and are likely to trade towards immediate support levels of $14,196-$14,038. We expect a bounce back from support level on optimism over China economy and US stimulus hopes.

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