
Crude oil prices to find stiff resistance near the \$44.60 level
Gold prices to remain firm while above the 50-days EMA of \$1,915
Lead – uptrend intact

CRUDE OIL PRICES TO FIND STIFF RESISTANCE NEAR THE \$44.60 LEVEL

- ▲ Oil prices remained firm on Monday, as global stimulus hopes are likely to boost oil demand. The hope for a second round of stimulus has increased in the US, after US jobless claims rose above the 1 million mark. The government has also confirmed on Thursday, that the economy suffered its sharpest contraction in at least 73 years in the second quarter.
- ▲ Until Sunday, Gulf of Mexico crude oil output remained down 70%, or 1.29 million barrels per day, as per government data. A total of 139 platforms, or drilling rigs, in the US Gulf of Mexico, were unmanned at mid-day on Sunday. Weakness in the US dollar has also supported oil prices.
- ▲ Hedge funds and money managers cut their bullish positions. According to the CFTC Commitments of Traders report for the week ended August 25, net long for crude oil futures declined by 9,996 contracts, to 500,699, for the week. The speculative long positions gained 6,304 contracts, but shorts jumped by 16,300 contracts.
- ▲ According to a report from Refinitiv, China's crude imports in September are set to fall for the first time in five months, as record volumes of crude are stored in and outside of the world's largest importer.
- ▲ We expect crude oil prices to remain under pressure, due to concerns about rising supplies from the US, and OPEC nations, and the sluggish global economic recovery. Separately, Saudi Aramco discovered two new oil and gas fields in the northern regions, the kingdom's Energy Minister said on Sunday. The new oil discovery will increase future supplies from OPEC nations.
- ▲ Crude oil prices found marginal support from the US oil rig count report from Baker Hughes. The active US oil rigs fell by three rigs in the week ended August 28, to 180 rigs; Baker Hughes reported earlier this month that the number of active global oil rigs dropped by 43 rigs in July.

Outlook

- ▲ Supply worries from OPEC+ members, rising US oil exports, and 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 \$42.54, and the 50-days EMA at 40.06.

GOLD PRICES TO REMAIN FIRM WHILE ABOVE THE 50-DAYS EMA OF \$1,915

- ▲ Gold prices are at two-week highs, and are receiving support from weakness in the US dollar, Fed's new policy framework about inflation, interest rates, and the safe-haven demand from rising coronavirus cases globally. The Dollar Index has lost more than 10%, from the March'20 high of 102.99, and is currently holding near a two-week low.
- ▲ Last week, Fed Chairman, Jerome Powell, has said that the central bank would adopt an average inflation target, which means that rates are likely to stay low for longer. Gold is going to find support from the low interest rates. Global central banks and governments have pumped massive stimulus measures into the market, to support the economies damaged by the coronavirus.

- ▲ On the economic data front, China's factory activity expanded at a slightly slower pace in August than anticipated. China's NBS Manufacturing PMI, for August, stood at an actual 51.0, versus the previous 51.1, and against the forecast of 51.3. Japan's factory output rose 8%, against the market forecast of 5.8%, for a second straight month in July, while retail sales fell 2.8% (YOY) more than the previous month's drop of 1.7%, and against the market forecast of a 1.3% drop. Meanwhile, data released on Friday suggests that US consumer spending increased more than expected last month, raising expectations of a sharp rebound in growth in the third quarter. US July personal spending rose 1.9%, against a forecast of 1.6%, and personal income unexpectedly rose +0.4%, against the market forecast of a drop of 0.2% on a month-on-month basis. The University of Michigan's US Consumer Sentiment Index was unexpectedly revised upward by +1.3, to 74, and the Chicago PMI unexpectedly fell by 0.7, to 51.2 for August.
- ▲ According to CFCT data, speculators reduced their bullish positions in COMEX gold in the week upto August 25. Gold futures' net long declined by 2,480 contracts, to 221,038. Speculative long positions slipped by 810 contracts, while shorts gained by 1,670.

Outlook

- ▲ Gold prices are likely to remain firm, while above the support level of the 20-days EMA at \$1,957, and the 50-days EMA at \$1,915. The next levels of resistances are placed at \$2,023, and \$2,059.

LEAD – UPTREND INTACT

- ▲ Operating rates for primary lead smelters in major lead producing provinces increased by 1.10%, to 58.4%, for the week ended 28st August, from the previous week. The operating rates for secondary lead smelters were down by 0.8%, to 59.2% from the previous week. Secondary lead smelters recycle used lead, including those found in car batteries. Decent operating rates at the secondary lead smelters indicate that the recycle industry is picking up, which in turn, is dependent on the automobile industry.
- ▲ On warrant Inventory at SHFE increased by 291%, from 6,245 mt, on 1st April, 2020, to 24,438 mt on 28th August 2020, while at LME, the inventory increased by 115% from 52,675 mt, to 113,350 mt during the same time period. The inventory has increased due to a lower base in April, 2020, especially at the SHFE. Lead prices have rallied even as inventory rose; this was due to an increase in demand, along with the positive sentiment for base metals.
- ▲ Parity, which is the difference between the SHFE, and the LME, after calculating for the VAT and the currency, is currently trading at 283 Yuan, indicating a strong trend for Chinese lead, driven by fundamental demand for the metal.

Outlook

- ▲ Lead is trading above the short-term moving averages on the daily charts, suggesting the trend to be positive in the near term. The metal could rise towards \$2,020 & 2,045 levels, while support is seen near \$1,955 & \$1,935 levels.

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