
Oil prices trading lower on supply-demand mismatch
Gold to trade in a range of \$1,930-\$1,950, ahead of NFP data
Copper near its support zone

OIL PRICES TRADING LOWER ON SUPPLY-DEMAND MISMATCH

- ▲ Oil prices fell this week, following a demand and supply mismatch. OPEC Aug crude production rose 550,000 bpd to a 3-month high of 23.940 million bpd.
- ▲ One of the prominent oil producers from OPEC, Iraq, is unable to cut production to 3.40 million BPD by the end of September, and wants an extenuation till November. Iraq's August crude oil production of 3.72 million BPD was down 70,000 BPD from July, but was still well above the 3.40 million BPD level, which it promised.
- ▲ Oil prices were also under pressure from a sell-off in global equities, and may get further direction from monthly NFP data, which will be released later today.
- ▲ Meanwhile, on the demand side, US Energy Information Administration (EIA) data showed that domestic gasoline demand, last week, fell to 8.78 million barrels per day (BPD), from 9.16 million BPD, a week earlier. Consumption of other oil products has also fallen.
- ▲ Weak fuel demand in India, the world's third-largest crude consumer, is bearish for oil prices. Data on Tuesday showed that diesel sales at India's three biggest fuel retailers, fell -12% m/ and -22% y/y in August, to 4.3 MMT. The ongoing COVID pandemic has reduced global growth and energy demand, and is bearish for crude prices. Infections have risen above 26.214 million around the world, with deaths exceeding 868,000.

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 \$42.70 and \$43.60 levels; meanwhile, strong support is seen around the 50-days EMA at \$40.36.

GOLD TO TRADE IN A RANGE OF \$1,930-\$1,950 AHEAD OF NFP DATA

- ▲ Gold prices are up, due to a sell-off in equities, and a drop in the US treasury yield. Safe-haven demand is helping gold prices, after a continuous second day of sell-off in global equities, in the early Asian trading session today. However, gold prices are likely to remain range bound, ahead of monthly NFP data, which are scheduled to be released later today.
- ▲ According to Reuters, the data is expected to show a payroll growth of 1.4 million in August, compared to the 1.763 million jobs, created in the previous month.

- ▲ On the economic data front, US weekly initial unemployment claims fell -130,000 to a 5-1/4 month low of 881,000, showing a stronger labor market, compared to expectations of a decline to 950,000. Also, the Eurozone Aug Markit composite PMI was revised upward to 51.9, from the previously reported 51.6. Conversely, the U.S. Aug ISM Services index declined by -1.2 to 56.9, slightly weaker than expectations of a decline to 57.0. Also, Eurozone July retail sales unexpectedly fell -1.3% m/m, weaker than expectations of +1.0% m/m.
- ▲ Meanwhile, Chicago Fed President, Charles Evans, called on Congress to deliver additional fiscal aid, and signalled a more dovish stance on the policy front. The US monetary policy would be eased further, and interest rates kept at ultra-low levels for years, to help the economy recover from the Covid-19 damages. An easy monetary policy is supportive for gold.

Outlook

- ▲ Gold may trade in a range of \$1,930-1,950, ahead of the monthly US NFP data; it may find support near the 50-days EMA at 1,918, while an important resistance is seen around 1,969 and 1,983 levels.

COPPER NEAR A SUPPORT ZONE

- ▲ In the past three trading sessions, copper has corrected, due to the strength in the dollar. The news flow has also been contradictory, thus making us believe that the strength in the Dollar Index has pushed the base metals lower.
- ▲ Codelco's (Chile's state-owned miner) copper output for July declined 4.4% YoY to 133,300 tonnes, but production rose 3.8% to 100,900 tonnes at the Escondido mine, while production from the Collahuasi mine, which is owned by Anglo American and Glencore, rose by 22.8% in July, to 58,100 tonnes.
- ▲ On the inventory side, on warrant inventory at SHFE declined by 73%, from 216,414 mt, on 1st April 2020, to 58,981 mt, on 3rd August 2020, while at the LME, the inventory declined by 77%, from 177,250 mt, to 44,300 mt, during the same time period. A drawdown in the inventory in both exchanges indicates that consumption has picked up in the ongoing Covid-19 unlock and that the demand is rising.

Outlook

- ▲ Copper medium term trend remains positive, and currently it is trading above the 20-days SMA, and is likely to find support near the current levels. The metal could rise towards \$6,700 & \$6,800 levels, and can find support at \$6,525 & \$6,425 levels in the near term.

DISCLOSURE & DISCLAIMER: ABANS BROKING SERVICES PVT. LTD. (ABSPL)

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

Membership Details:

MCX Member ID: 40385 / SEBI Reg. No. INZ000032733;

NCDEX: Member ID F00681 / SEBI Reg. No. INZ000032733

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations). ABans Broking Services Pvt. Ltd. (ABSPL) is a SEBI Registered Research Analyst having registration no. INH000006369. ABSPL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock Broking services. ABSPL is a subsidiary company of ABans Finance Pvt. Ltd. (AFPL). AFPL is an NBFC, registered with the RBI, in the category of non-acceptance of public deposits.

One of the group companies of ABSPL is ABans Securities Pvt. Ltd. (ASPL) which is a SEBI registered member with NSE, BSE and MSE stock exchanges. ASPL is also a Depository Participant of CDSL. ABans Commodities Pvt. Ltd. (ACIPL) is another group entity which is also a registered member with MCX in the Commodity segment. Further details are available on the group website www.abans.co.in Mandatory Disclosures as per the Regulations:

- ▲ Ownership & Material conflicts of interest –
 - ▲ Whether the Research Analyst or ABSPL, or his associate or his relative has any financial interest in the subject company and the nature of such financial interest – No
 - ▲ Whether the Research Analyst or ABSPL, or its associates or relatives, have actual/beneficial ownership of 1% or more securities of the subject company, at the end of the month immediately preceding the date of publication of this research report or date of the public appearance - No
 - ▲ Whether the Research Analyst or ABSPL, or his associate or his relative, has any other material conflict of interest at the time of publication of this research report or at the time of public appearance - No
- ▲ Receipt of Compensation –
 - ▲ Whether ABSPL, or its associates have received any compensation from the subject company in the past twelve months – No
 - ▲ Whether ABSPL, or its associates have managed or co-managed public offering of securities for the subject company in the past twelve months – No
 - ▲ Whether ABSPL, or its associates have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months – No
 - ▲ Whether ABSPL, or its associates have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months – No
 - ▲ Whether ABSPL, or its associates have received any compensation or other benefits from the subject company or third party in connection with the research report – No
- ▲ Whether the Research Analyst has served as an officer, director or employee of the subject company – No
- ▲ Whether the Research Analyst or ABSPL has been engaged in market making activity for the subject company – No
- ▲ Other material disclosures, if any

Disclaimer:

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Neither ABans Broking Pvt. Ltd. (ABSPL), nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information. The document is not, and should not be construed as an offer to sell or solicitation to buy any securities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from "ABans Broking Services Private Limited". Your feedback is appreciated on compliance@abans.co.in