# DAILY ANALYSIS REPORT

Friday, November 6, 2020

Dovish Central Bank policy stance has pushed gold prices higher
Weakness in the Dollar has provided support to oil prices
Stimulus from central banks is likely to support copper prices

## DOVISH CENTRAL BANK POLICY STANCE HAS PUSHED GOLD PRICES HIGHER

- Gold prices have rallied to a 6-week high on Thursday, following dovish policy stance from the BOE, and an expansion of its QE programme.
- The BOE kept its main lending rate at 0.1% and voted to expand its target stock of U.K. government bond purchases to £895 billion ($1.2 trillion). Last month, the BOE asked British banks about their preparedness for negative interest rates, having revealed in September that it was exploring the possibility of taking rates below zero if necessary. Since the onset of the coronavirus pandemic in March, the Bank has cut rates twice from 0.75% to 0.1%. Meanwhile UK Prime Minister, Boris Johnson's government has announced a new lockdown, running from Thursday upto December 2.
- Meanwhile, the US Federal Reserve has held interest rates steady in a range between 0%-0.25%, and the economy is still well below pre-pandemic levels. Fed officials have been vocal about the need for a more fiscal and possibly additional monetary support, but this week's meeting yielded no new policy initiatives from the Fed. Chairman Jerome Powell noted that he thinks the Fed still has plenty it can do to help the recovery.
- Dovish ECB comments from Vice President, Guindos, also provided support to gold. He has said that the Eurozone economic recovery is going to be "more sluggish" in 2021 than the ECB has previously projected.
- Meanwhile, the European Commission raised its Eurozone 2020 GDP estimate to -7.8% from a -8.7% estimate in July.
- On the economic data front, U.S. weekly initial unemployment claims fell -7,000 to 751,000, showing a weaker labour market than expectations for a decline to 735,000. Also, Eurozone September retail sales fell -2.0% m/m, weaker than expectations of -1.5% m/m, and the biggest decline in 5 months. In addition, German September factory orders rose +0.5% m/m, weaker than expectations of +2.0% m/m, and the smallest increase in 6 months.

Outlook

- Gold prices are likely to find support near the 20-days EMA at $1,908 per ounce, and the 100-days EMA at $1,886 per ounce. Meanwhile, key resistance is seen around $1,966-$1,986 per ounce.

## WEAKNESS IN THE DOLLAR HAS PROVIDED SUPPORT TO OIL PRICES

- Crude oil prices on Thursday found support from weakness in the US Dollar and a rally in equities. The Dollar Index on Thursday fell to a 2-week low, and U.S. stock indices rallied sharply for the third day.
- However, the rally was capped due to global oil demand concerns, due to the pandemic. Saudi Arabia's Aramco cut its December official selling price (OSP) for its Arab Light crude to Asia by $0.10 a barrel, setting it at a minus $0.50 per barrel versus the Oman/Dubai average.
- The resurgence of Covid throughout the world has prompted countries to impose lockdowns in an attempt to slow the spread of the virus, which is leading to a loss of energy demand.
- A return of Iranian crude oil to global markets in 2021 is likely to be negative for the oil prices

in case Joe Biden wins the U.S. presidential election. Mr. Joe Biden is likely to re-enter the 2015 Iranian nuclear deal and provides sanctions relief to Iran.

- Crude oil prices are likely to find support from OPEC Secretary-General, Mohammad Barkindo's comments, when he said that OPEC and its allies would "accelerate" the recovery in oil markets at their next meeting scheduled for November 30 - December 1. His comments suggest that OPEC+ may maintain current crude production cuts, which stand at almost 8 million bpd.
- Meanwhile, Wednesday's weekly EIA data showed that U.S. crude oil inventories as of October 30, were +6.7% above the seasonal 5-year average, gasoline inventories were +4.1% above the 5-year average, and distillate inventories were +17.4% above the 5-year average. U.S. crude oil production in the week ended October 30 dropped -5.4% w/w, to 10.5 million bpd, and is down by -2.6 million bpd (-19.8%) from February's record-high of 13.1 million bpd.

Outlook

- WTI crude oil prices are likely to find stiff resistance near $41.76-43.69 per barrel, while key support levels are found near $36.85 and $35.7 per barrel.

## STIMULUS FROM CENTRAL BANKS IS LIKELY TO SUPPORT COPPER PRICES

- Copper prices are trading higher near $6,850 per mt, following a weakness in the Dollar Index, and fresh stimulus from the Bank of England. However, political uncertainty in the US is likely to keep a lid on the prices.
- Meanwhile, Chile's copper mining industry saw a 17% drop in its production costs in the first half of 2020. Cash costs fell from $1.45 per pound in the first six months of 2019 to $1.21 per pound of copper produced during the same period in 2020. A strengthening dollar against the peso, as well as falling prices of key ingredients in the processing of copper, including sulfuric acid and diesel, contributed to the drop in costs.
- A union of workers at Chile´s Candelaria copper mine, owned by Canada's Lundin Mining Corp, said late on Tuesday that it had rejected yet another contract offer from the company, and will push forward with a nearly month-long strike, which has shut down the mine. Candelaria produced 111,400 tons of copper in 2019.
- Copper inventory at LME monitored warehouses have dropped by -2600 mt, as on November 5. LME inventory now stands at 174,050 mt, which has dropped by -73,950 mt in the last one year, but has increased nearly 51,600 mt in the last three months as on November 5.

Outlook

- LME 3 month contract is likely to find support around the 50-days EMA at $6,694, and the 100-days EMA at $6,469 per mt. Meanwhile, an immediate resistance level could be seen around $6,937-$7,002 per mt.

## 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