
Poor demand outlook keeping oil prices lower despite lower OPEC production and Russia in September
Copper fell on strong dollar, China market is closed during Oct. 1-7 for National Day Holiday
Gold prices continued negative trend over strength in dollar index
India's fiscal deficit expands faster than estimated while CAD narrows on lower crude oil prices

POOR DEMAND OUTLOOK KEEPING OIL PRICES LOWER DESPITE LOWER OPEC PRODUCTION AND RUSSIA IN SEPTEMBER

- ▲ OPEC's output fell to the lowest in eight years in September at 28.9 million bpd, down 750,000 bpd from August's revised figure and the lowest monthly total since 2011.
- ▲ Russia's output declined to 11.24 million bpd in Sept. 1-29, down from 11.29 million bpd in the previous month.
- ▲ Demand outlook is keeping oil prices lower despite output drop. A slowing global economy and the recovery of Saudi production may keep oil prices lower despite risk factor in Middle East.
- ▲ Saudi Aramco has restored full oil production and capacity to the levels they were at before attacks on its facilities on Sept. 14.
- ▲ US crude oil output fell 276,000 bpd in July to 11.81 million bpd according to a US EIA report. U.S. production peaked at 12.12 million bpd in April.
- ▲ Oil prices could receive some support from optimism over US-China trade talk, geopolitical issues 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.
- ▲ However 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.

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 58.80-57.20 levels, while key resistance remains near 60.70-62.90 levels.

COPPER FELL ON STRONG DOLLAR, CHINA MARKET IS CLOSED DURING OCT. 1-7 FOR NATIONAL DAY HOLIDAY

- ▲ Copper prices declined to one-month low due to stronger dollar, U.S. dollar index rallied to highest since May 2017.
- ▲ The Shanghai Futures Exchange is closed during Oct. 1-7 for the National Day holiday.
- ▲ Chile's production of copper jumped in August by 11% to 517,902 tonnes compared to the same month the previous year. Total mining production increased 5.3 percent in 12 months.
- ▲ 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.
- ▲ 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

- ▲ Strength in dollar index is keeping Copper prices under pressure along with poor demand due to US-China trade war. Copper may find an important support around \$5660-\$5600 per ton, while key resistance can be seen around \$5770-\$6,036. Recovery in Chinese factory activity and any improvement in sentiment due to optimism over US china trade war could provide support to Copper prices. Trade talks between the US and China are set to resume Oct. 10-11 in Washington, which could provide further direction to Copper prices.

GOLD PRICES CONTINUED NEGATIVE TREND OVER STRENGTH IN DOLLAR INDEX

- ▲ Gold prices fell to two-month low weighed down by strength in dollar index against major currencies
- ▲ Hopes of progress in the US-China trade talks lifted equity markets in a further hit to bullion's appeal.
- ▲ On Friday, President Donald Trump's administration announced to consider delisting Chinese companies from US stock exchanges but later US treasury clarified otherwise.
- ▲ SPDR Gold Trust holdings fell 0.22% to 920.83 tonnes on Monday.
- ▲ CFTC Report- Hedge funds and money managers increased bullish positions in COMEX gold in the week to Sept. 24

Outlook

- ▲ Gold is trading weak in anticipation of a positive deal between US-China and strength in dollar index. Gold may decline towards \$1449-1426 per ounce over strength in US Dollar and strong equities, while key resistance could be seen around \$1492-1518. Although geopolitical issues across the globe could provide some support to gold prices at lower levels.

INDIA'S FISCAL DEFICIT EXPANDS FASTER THAN ESTIMATED WHILE CAD NARROWS ON LOWER CRUDE OIL PRICES

- ▲ India's Fiscal deficit stands at Rs.5.54 Lakh Crore till August, Full year projection was for 7.03 Lakh Crore, which is 78.7% of the budgeted estimate for the current fiscal year.
- ▲ The Union budget estimated that the fiscal deficit for 2019-20 is likely to be Rs 7.03 lakh crore, or 3.3% of the gross domestic product (GDP).
- ▲ Recent steps by the government to boost economic activity after the growth slipped to a six-year low of 5.0% have led experts to estimate that the fiscal deficit is set to exceed the government target. Credit rating agency Fitch ratings has estimated that India's fiscal deficit for 2019-20 will be 3.7% of GDP.
- ▲ India's current account deficit narrowed to 2% of GDP in June quarter. India's current account deficit (CAD) for the first quarter ended June contracted to 2 per cent of the gross domestic product (GDP) on a year-on-year basis.
- ▲ Lower crude prices and higher invisible receipts have helped to narrow the current account deficit to 2 percent of GDP or at USD 14.3 billion in the first quarter, down 30 basis points from year-ago.
- ▲ 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. 469.40 crores, while Domestic Institutional Investors (DII's) sold shares to the tune of Rs. 504.69 crores on September 30th.
- ▲ In Sept'19, FII's net sold shares worth Rs. 6624.05 crores, while DII's were net buyers to the tune of Rs.12490.8 crores.

Outlook

- ▲ The Rupee may recover towards 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 corporates, optimism over the US-China trade war, an interest rate cut by the US Fed and dovish policy measures by other central banks. Market will now be focused on the RBI policy meeting this week. We expect the RBI to remain dovish and cut rates by 35 bps.

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