
Oil falls on OPEC supply fears
Gold prices at record highs on safe-haven demand
Lead trading above the 20-day & 200-day SMA

OIL FALLS ON OPEC SUPPLY FEARS

- Oil prices fell on oversupply concerns, as OPEC and its allies are set to add more production from the August month. Meanwhile, oil output by the Organization of the Petroleum Exporting Countries (OPEC) rose by over 1 million barrels a day in July, as Saudi Arabia, and other Gulf members have ended their voluntary extra supply curbs on top of an OPEC-led deal.
- OPEC+, a grouping of OPEC, and allies, including Russia, is set to step up output in August, adding about 1.5 million bpd to global supply.
- The count of U.S. active drilling rigs remains unchanged at 251, Baker Hughes says in its latest weekly report.
- US energy firms kept the number of oil and natural gas rigs unchanged at a record low, as the rig count fell for a fifth straight month, although July marked the smallest monthly decline. US oil rigs fell by 1 to 180, the lowest since June 2009, and a 74% decline over the past 20 weeks.

Outlook

- Crude oil prices are likely to find stiff resistance at \$41.90 per barrel; meanwhile, key support could be seen around the 10-Days EMA, at \$37.91 per barrel. We expect crude oil to remain negative, on increasing supply from OPEC, and slower demand growth, due to rising Covid-19 cases worldwide.

GOLD PRICES AT RECORD HIGHS ON SAFE-HAVEN DEMAND

- Gold prices surged to an all-time high today on safe-haven demand, on fears of an economic slowdown from rising COVID-19 cases. Coronavirus cases continued to surge in the United States, and stood at over 17.96 million globally. US-China tensions have also slowed the path of an economic recovery.
- Gold prices are facing some cap, as US lawmakers have not yet reached upon a deal for a new stimulus plan. Gold also lost some of its gains, on the back of minor strength in the US Dollar.
- According to the weekly CFTC report, speculators have reduced their bullish positions in COMEX gold contracts; net long reached to 236,801 for the week up to July 28. Speculative long positions decreased by 21,649 contracts, and short positions increased by 7,986.

Outlook

- Gold prices are likely to find support near the 10-Days SMA at \$1,939 per ounce, while stiff resistance could be seen around \$2,002-\$2,009 per ounce. The 14-days RSI is at 79.46, indicating an overbought condition. Those with long positions, must keep a tight stop-loss.

LEAD TRADING ABOVE THE 20-DAY & 200-DAY SMA

- Operating rates for primary lead smelters in top lead producing smelters increased by 1.50% to 54.1% for the week ended 31th July, from the previous week. The operating rates for secondary lead smelters was up by 0.90% to 54.4% from the previous week; secondary lead smelters recycle used lead, including those found in car batteries. Better operating rates at the secondary smelters indicate that the recycle industry has picked up.
- Parity, which is the difference between the SHFE and the LME, after calculating for the VAT and the currency, is currently trading at 981 Yuan, indicating a strong trend for Chinese lead, driven by fundamental demand for the metal.

Outlook

- Lead is trading above the 20-day SMA, indicating the trend to be positive in the near term; it has closed above the 200-day SMA last week. The metal looks set to rise further towards \$1,895 & \$1,915 levels while support is seen at \$1,840 & \$1,815 levels.

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