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GOLD

CMP Rs. 31640 /10Gms MCX Dec 2018

Market Outlook and Fundamental Analysis:

Gold fall 6th straight monthly loss in Sep down about 0.5%, its longest monthly losing streak since January 1997 and lost of almost 13% since 2018 peak of April, largely due to dollar strength which has benefited from a vibrant economy, rising U.S. interest rates and fears of a global trade war. As against this domestic gold Rally towards 2018 peak and gain of more than 1% in Sep thanks to weak Rupee against the dollar which increases landed cost & support price at every fall. Spot gold treaded in tight $34/oz range in past 1 ½ month as investor awaiting multiple effects on gold like increasing interest rates, trade dispute impact, strength in dollar, increasing treasury yield in US and lack of support from investment demand plays force prices in trading range. Among other precious metals, palladium hit fresh 8-month high at $1,094.60 in Sep with gain of 9% in month, Silver rose 3.4% & registers its first monthly rise in four & rebound from 2 ½ year low hit during the month. Platinum increased 1.1% and headed for its first monthly rise in last 8-months. Gold has traditionally been seen as a safe investment in times of economic or political turmoil, but this position has been usurped this year by the dollar.

In latest speech, Fed Chairman Jerome Powell said that the economy's outlook was "remarkably positive" and he believed it was on the cusp of a "historically rare" era of ultra-low unemployment and tame inflation.

In its latest policy meet, U.S. Federal Reserve raised interest rates and left intact its plans to steadily tighten monetary policy, as it forecast that the U.S. economy would enjoy at least three more years of growth. In a statement that marked the end of the era of "accommodative" monetary policy, Fed policymakers lifted the benchmark overnight lending rate by a quarter of a percentage point to a range of 2.00 percent to 2.25 percent. Oct rate hike was the 3rd this year and the 7th in the last eight quarters. The U.S. central bank still foresees another rate hike in December, three more next year, and one increase in 2020.

The Fed sees the economy growing at a faster-than-expected 3.1% this year and continuing to expand moderately for at least three more years, amid sustained low unemployment and stable inflation near its 2% target. "The labor market has continued to strengthen ... economic activity has been rising at a strong rate," it said in its statement.

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Gold is highly sensitive to rising interest rates, which lift the opportunity cost of holding non-yielding bullion. They also boost the dollar, in which the metal is priced.

Meanwhile, world markets steadied, as a four-year high in oil prices and the biggest weekly jump in Treasury yields since February left investors wondering where to go next. Rising U.S. government bond yields typically weigh on precious metals, as they make Treasuries attractive to investors seeking assets that earn a return as opposed to gold, which earns nothing and costs money to store and insure.

Nonfarm payrolls, gauge for US rate decision increased by 134,000 jobs last month, the fewest in a year, as the retail and leisure and hospitality sectors shed employment. Data for July and August were revised to show 87,000 more jobs added than previously reported. The economy needs to create roughly 120,000 jobs per month to keep up with growth in the working-age population.

On data side, Growth in China's manufacturing sector stalled in September as external and domestic demand weakened, two surveys showed, in a sign that U.S. tariffs are taking a toll on the economy. U.S. consumer spending increased steadily in August, supporting expectations of solid economic growth in the third quarter, while a measure of underlying inflation remained at the Federal Reserve's 2% target for a 4th straight month. US GDP increased at a 4.2% annualized rate, the Commerce Department said in its 3rd estimate of GDP growth for the April-June quarter. That was the fastest pace since the third quarter of 2014 and unchanged from the estimate published in August. New orders for key U.S.-made capital goods fell in August after four straight months of strong gains. The Commerce Department said on Thursday that orders for non-defense capital goods excluding aircraft, a closely watched proxy for business spending plans, dropped 0.5 percent last month, pulled down by a decline in demand for computers and electronic products. The number of Americans filing for unemployment benefits fell to a near 49-year low last week, pointing to sustained labour market strength, which should continue to underpin economic growth.

During the month, the gold/silver ratio, which measures the number of silver ounces needed to buy an ounce of gold, is at a record high of 83.

India's gold imports more than doubled in August to their highest level in 15 months as lower prices prompted manufacturers to replenish inventory. also, in Q-4 of 2018, gold imports could rise 9% percent from a year ago to 250 tonnes, according to bullion dealers estimates against 229.6 tonnes of gold in Q4-2017, according to metals consultancy GFMS. Rupee is consistently falling and no one knows how much it will fall further that largely decides piece & demand in upcoming festival season. It is prompting investors to hedge their risk with exposure to gold. The rupee has fallen 13% in 2018, increasing the price for dollar-denominated bullion in rupee terms even as gold has dropped 7.6% this year.

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A new Reuters poll showed unanimous agreement that a trade war with China was bad economic policy for the United States, predicting U.S. growth would slow to 2% in the fourth quarter, less than half the last reported rate of 4.2%. If so this will definitely boost for bullion appeal as safe heaven and its prices also.

Meanwhile, liquidations continued in SPDR Gold, the world's largest gold-backed exchange-traded fund as holdings were down 5 million ounces or almost 13% from an April peak.

Going ahead, Overall Gold will likely trade within a tight range near term as conflicting signals support for bullion from geopolitical worries and pressure from strength in the U.S. economy. The prospect of a trade war between the U.S. and other economies to put a floor under gold prices in the short term but ultimately we think that Fed tightening will prove too strong a headwind. In 2018, gold will deliver its strongest annual price performance in five years, GFMS analysts forecast, as political uncertainty drives investment in bars and bullion-backed funds. There are concerns over sizeable U.S. debt, there's the mid-term election in November, there's enough out there that could see the dollar eventually weaken and gold prices start to improve through the back end of this year. Gold prices could break above $1,400 an ounce for the first time since 2013 this year as an uncertain outlook for stocks, bonds and currencies tempts investors to use the precious metal as a safe haven, according to a Reuters survey of analysts.

Technical Outlook:

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On the Daily Chart:

During 1st half of Sep gold traded mostly in Range but in 2nd half it's Rally sharply thanks to weak Rupee against dollar & festival season buying from stockiest at lower level. Most of the indicators now in favor of bull as price trading above all 3-SMA with sharp recovery in RSI which break above 70 mark first time since Jan this year and also MACD above signal line indicate more upside in coming weeks.

In COMEX GOLD is trading at $1203 immediate support at $1180 followed by 1160 while resistance at $1215 & 1235.

Expected support and Resistance level for the month

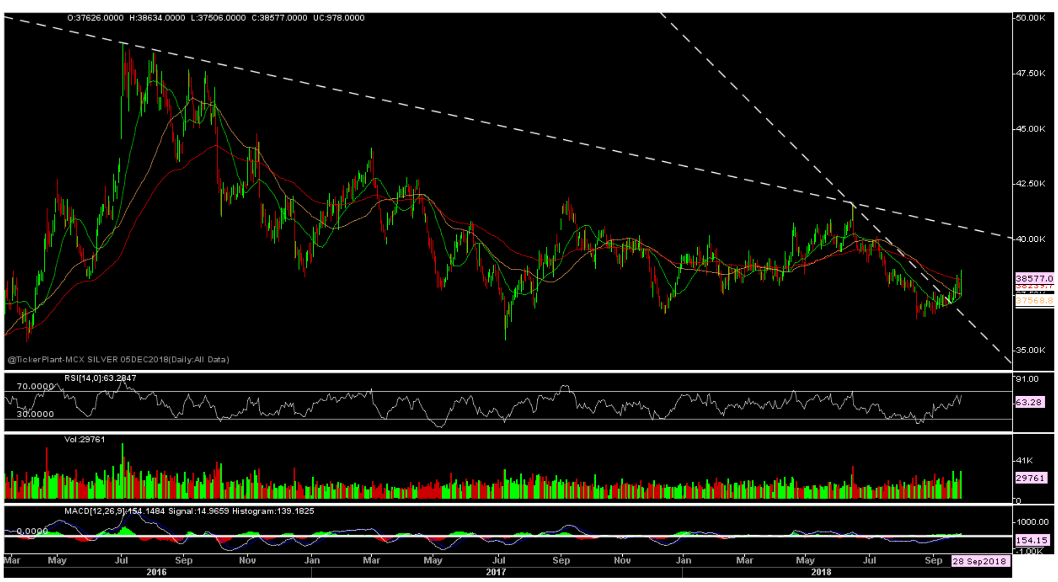
Gold	S1	S2	R1	R2
COMEX/DG CX ($)	1180	1160	1215	1235
MCX (Rs.)	30500	30100	31700	32450

RECOMMENDATION:

MCX Gold Feb: Buy above 31700 Stop Loss 31200 Targets 32100-32450.
Sell below 31000 Stop Loss 31300 Target 30500-30300.

SILVER

Technical Outlook:



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On the Daily Chart:

On broader daily chart silver Continue to trade between 36700-41700 during 2018 till date with recent lower level support seen with column. As price trading above all 3 SMA added by break out in short term trend line indicates more upside in coming days. MACD also turn above signal line while RSI near oversold zone first time since mid June signals strength in counter.

Expected support and Resistance level for the month

Silver	S1	S2	R1	R2
COMEX/DG CX ($)	13.90	13.50	15.10	15.70
MCX (Rs.)	37400	36600	38500	39550

RECOMMENDATION:

MCX Silver July: buy above 39400 & dip 38700 S/L below 38500 Target 40000-41900.

CRUDE OIL

Market Outlook and Fundamental Analysis

After a smart rally in Aug, crude continue its northward journey in Sep also with price rally 5.4% in Sep & hit fresh Nov 2014 high aggregating more than 4% gain in Q3-2018 for Brent oil compare with WTI down 0.8% in same period as US sanction on Iran which will take effect from Nov 4 loom and a north American trade deal fosters growth and after Saudi Arabia and Russia ruled out any immediate increase in production despite calls by U.S. President Donald Trump for action to raise global supply. With about 1.5 million barrels per day of Iranian oil expected to go offline on Nov. 4, prices could rocket higher in very short while according to analyst estimates. Other side Saudi Arabia is expected to add oil to the market to offset the drop in Iranian production sources familiar with OPEC policy told earlier. Saudi Arabia and other OPEC and non-OPEC producers had discussed a possible production increase of about 500,000 barrels per day (bpd). At its 2018 peak in May, Iran exported 2.71 million bpd, nearly 3% of daily global crude consumption. It is to be possible that softening demand from trade tensions between the U.S. and China to offset loss of Iranian supply, but unless trade tensions show signs of eroding Chinese demand, oil prices will surge further.

Brent rally in its fifth consecutive quarterly increase, the longest stretch since early 2007 when a six-quarter run led to a record-high price of $147.50 a barrel.

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In last week of Sep, U.S. President Donald Trump demanded that the OPEC raise production to prevent further price rises ahead of midterm elections in November for U.S. Congress members. However Analysts said that OPEC and Russia appear unlikely to immediately boost production as Trump has demanded. A group of OPEC and non-OPEC producers have been voluntarily withholding supplies since January 2017 to tighten markets, but with crude prices up by more than 40 percent since then and markets significantly tighter, there has been pressure on producers to raise output. Crude prices have roughly tripled from lows hit in January 2016 after the Organization of the Petroleum Exporting Countries and allies led by Russia cut output. Russia, the United States and Saudi Arabia are the world's three biggest oil producers by far, meeting around a third of the world's almost 100 million barrels per day (bpd) of daily crude consumption.

Meanwhile a bullish signal seen from hedge funds also as Exchange data show hedge funds' combined net long position in Brent and U.S. light crude futures and options at its largest since late July, equivalent to about 850 million barrels.

Several major buyers in India and China have signaled that they will cut purchases of Iranian oil. China's Sinopec said it halved loadings of Iranian oil in September. If Chinese refiners do comply with U.S. sanctions more fully than expected, then the market balance is likely to tighten even more aggressively.

According to EIA latest monthly Report, U.S. crude oil production rose 269,000 barrels per day (bpd) to a record 10.964 million bpd in July, led by record output from Texas and North

On demand side, already at $80, we are seeing emerging-market local oil prices pretty close to where we peaked a few years ago. The race to protect consumers from further price rises from here could potentially impact demand growth sooner than would otherwise have been expected.

The IEA forecast strong oil demand growth of 1.4 million barrels per day (bpd) this year and 1.5 million bpd in 2019, and said in its most recent report that the market was tightening. The International Energy Agency warned that although the oil market was tightening at the moment and world oil demand would soon reach 100 million barrels per day (bpd) in the next three months, global economic risks were mounting. As we move into 2019, a possible risk to our forecast lies in some key emerging economies, partly due to currency depreciations versus the U.S. dollar raising the cost of imported energy," the agency said. "In addition, there is a risk to growth from an escalation of trade disputes.

Separately, The Organization of the Petroleum Exporting Countries cut its forecast for oil demand growth in 2019 in its monthly report and said rising challenges in some emerging and developing countries could negatively impact global economic growth. OPEC said it expected demand growth of 1.41 million bpd in 2019, a 20,000-bpd downgrade from its previous forecast.

Going ahead, Geopolitical concerns, increasing trade friction between China and the U.S. is likely to rock global markets and tarnish bullish sentiment in crude oil markets. Demand from emerging

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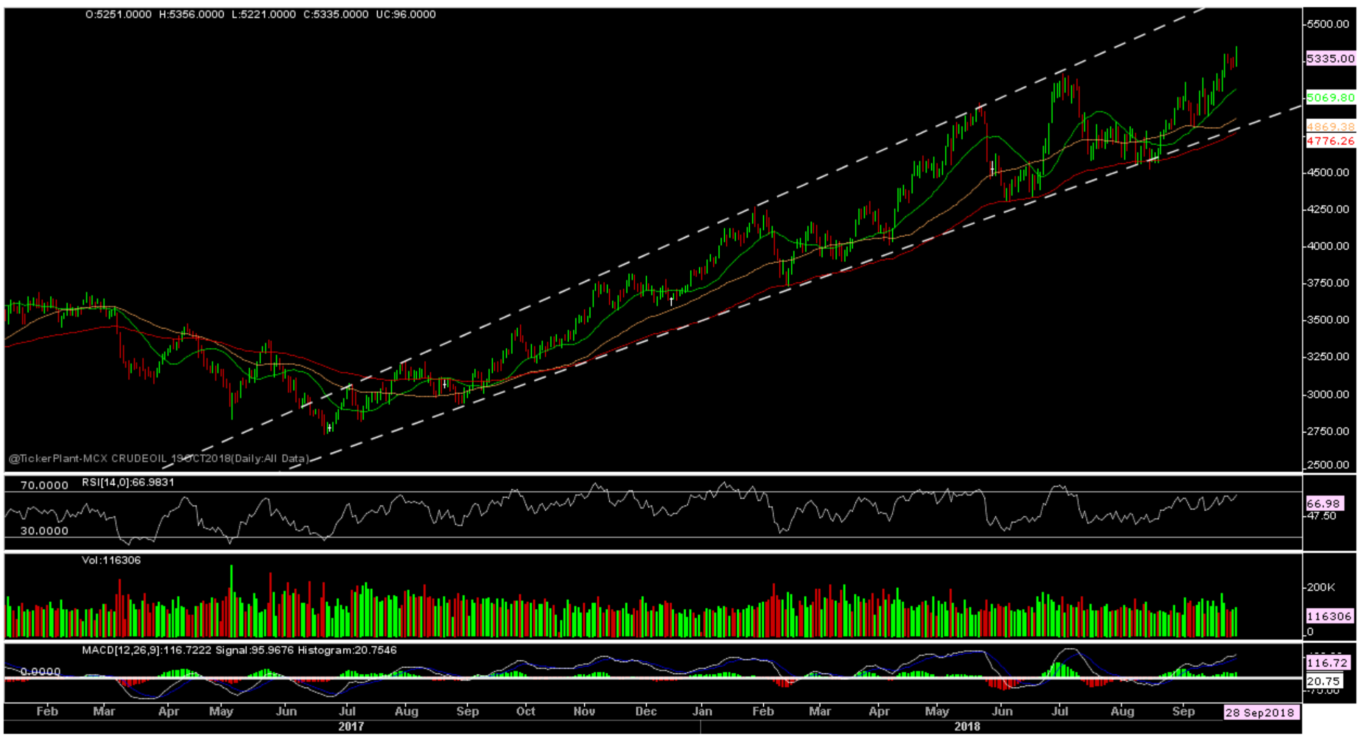
countries and production-supply from US will play important role for H2-2018 while OPEC decision for production cut will play bigger role in later part of the year. But the rise in U.S. Treasury yields above 3% has driven the dollar to 7-month highs, making oil more expensive for buyers using other currencies. This might eventually pressure crude prices, even though oil and the dollar have moved in tandem for a few weeks.

Technical Outlook:-



On the Daily Chart:

Crude oil continue to take Support from long term Rising channel trend line support with fresh break-out towards upper trend line zone. Price trading well above all 3 SMA with MACD above signal and firm RSI indicates more upside in the counter. Since Sep 2017 price tested many time 200 days SMA & trend line but fail to break & sustain below same, so only strong break-out of this might turn scenario adverse but till now it's in bull hand.

Expected Support and Resistance level for the month

Crude	S1	S2	R1	R2
NYMEX/DG CX ($)	64.40	58	75.50	77.50
MCX (Rs.)	5450	5200	5700	5900

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RECOMMENDATION:

MCX Crude: Buy above 5675 Stop Loss below 5450 Target 6000-6100.
Sell below 5400 Stop Loss above 5600 Target 5200-5000.

Natural Gas

Technical Outlook:

On the Daily Chart: Natural Gas trading range bound on 1st half of Sep but recover smartly towards multi month break out level and price trading above all 3-SMA and MACD well above signal line and run up in RSI indicates more upside for the counter.

RECOMMENDATION:

MCX NG : Buy above 241 Stop Loss below 230 for the Targets of 255-265.
Sell below 215 S/L above 225 Target 200-190 Range

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Base Metals

Market Outlook and Fundamental Analysis

COPPER:

Most of the Base metals ended lower in Sep as well as Q3-2018 with almost 15% fall in nickel & Lead in Q3 while other base metals between 5-8% in concern of demand slowdown at top consumer China after trade war situation between two largest economies US-China. Zinc shed about 8% during the quarter in its third straight quarterly loss but manages to recover at end of the month to hit 7-week high at last day of trading due to sharp draw down in warehouse inventory at Shanghai. Copper has slumped 18% since touching a 4-1/2 year peak of $7,348 in June but has recovered 5% from a one-year low of $5,773 in August. Growth in China's manufacturing sector stalled in September as external and domestic demand weakened, latest two surveys showed, in a sign U.S. tariffs are inflicting a heavy toll on the economy. During last week of Sep Chinese share markets fell partly driven by a plunge in property companies on worries that a property pre-sale system may be scrapped. The construction sector is one of the top sources of demand for industrial metals such as copper and zinc. On last Friday of the month, LME copper surged 4.6% in its biggest one-day advance since May 2013 on the day U.S. tariffs on $200 billion of Chinese goods and retaliatory tariffs by Beijing on $60 billion of U.S. products, but market rally seen other side as tariff levels that were much lower than expected. The United States will levy tariffs of 10% initially, rising to 25% at the end of 2018. Beijing has imposed rates of 5-10% and warned it would respond to any rise in U.S. tariffs on Chinese products accordingly.

Total inventories of copper in LME warehouses fell to 194,175 tonnes, the lowest since December. Copper inventories in LME warehouses at 199,125 tonnes have nearly halved since late March and are at their lowest since December last year. Cancelled warrants - material earmarked for delivery - at more than 50 percent of total LME stock and a concentration of warrants in the hands of a single entity are also worrying for users of the exchange. One party currently holds between 50 and 79 percent of copper warrants, latest data showed. Chinese copper import premiums are currently assessed at $96 a tonne, the highest since February 2016, as low prices tempt bargain-hunters, propping up demand for physical metal. China's imports of copper fell 6.7% from a month ago to 420,000 tonnes in August, data showed.

The copper market should see a deficit of 92,000 tonnes this year and a deficit of 65,000 tonnes in 2019, the International Copper Study Group said.

Historically, a 1% decline in global trade growth has reduced copper prices by about 4%, it means if global trade growth fell from April's 4.4% YoY to the 2015/16 average of 1.7%, copper prices could

correct by 10.8% YoY to $5,400/t from current above 6000. China is the world's largest copper consumer, accounting for nearly half of global demand at around 24 million tones against U.S. accounts for about 8%. Ample supplies and worries about Chinese demand are why traders bet on lower prices.
China launch copper option on Sep 21 Friday and China's top state copper companies threw their weight behind Shanghai's first copper options on Friday, with early turnover trouncing its New York rival and raising a challenge to the 141-year-old London bourse in the $270 billion global market.

China is the world's largest copper consumer, accounting for nearly half of global demand estimated at around 24 million tonnes this year. The U.S. accounts for about eight percent of global demand. China is also the world's largest consumer of other industrial metals such as aluminium, zinc, lead and nickel.

On data side, Global economic growth has peaked in the face of rising trade frictions and emerging market turbulence, the OECD said, as it trimmed its earlier outlook. China's trade surplus with the United States widened to a record in August even as its export growth slowed slightly, an outcome that could push Trump to turn up the heat on Beijing.

Going ahead, Accelerating growth in major economies and increased infrastructure spending driving price rises for industrial commodities and energy sources beyond the multi-year highs they're now touching. there are over 30 labour contracts, covering around five million tonnes of mine supply, due to expire this year, most of them in Chile and Peru this will keep momentum in base metals. The largest identifiable potential issue concerns the Escondida contract due June, 2018, given the 2-month strike earlier this year

Chinese demand for industrial metals typically picks up in the second quarter ahead of construction activity over the summer months. We think construction activity is going to be more subdued this year because of the curbs on lending by the Chinese government to control the property market bubble.

NICKEL

Nickel hit 8-month low in Sep as speculators added bearish positions against the backdrop of persistent international trade concerns and a slide in steel prices. Prices are weighed down by an increase in nickel ore inventory at China and rising stainless steel inventory.

Nickel likely to gain more in coming days as slower production increases in leading supplier Indonesia and continued growth in stainless steel demand are forecast to extend a supply shortage in the global nickel market, supporting price gains through 2019.

ZINC & LEAD

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Zinc down 8% in Q3-2018 and straight 3rd quarter loss but manage to recover at end of the month with price hit 7-week high after stocks in Shanghai slid to the lowest in more than a decade and other metals rallied as speculators cancelled bearish positions. Zinc inventories in warehouses monitored by the Shanghai Futures Exchange slid 13.6% to 29,204 tonnes, the lowest since September 2007, weekly data showed.

The global zinc market deficit deepened to 32,500 tonnes in July, from 14,200 tonnes in June, data from the International Lead and Zinc Study Group (ILZSG) showed.
On-warrant stocks of lead available to the market in LME-registered warehouses jumped 18,850 tonnes, or 39 percent, to 67,125 tonnes. This lifted on-warrant stocks from their lowest levels since January 2009.

ALUMINIUM

The market is also concerned about aluminium stocks on the LME market, which at 987,800 tonnes have more than halved since January last year and are at their lowest since early 2008.

Unionised workers at aluminium producer Alcoa's Western Australian operations agreed on Friday to end a strike that lasted more than six weeks after securing better job security provisions in a new wage agreement. This has eased concerns about alumina supplies, a key ingredient for aluminium production. But ongoing output cuts at a Norsk Hydro alumina refinery in Brazil still mean potential shortages.

Aluminum may pressure at higher level in Expectations that sanctions on Rusal, a top aluminium producer, will be lifted after the U.S. mid-term elections on Nov. 6 are weighing on prices of the transport and packaging metal. The extension suggests a softening and an eventual lifting of the sanctions.

Global primary aluminium output edged up by 0.16 percent month on month to 5.485 million tonnes in August, while Chinese production was estimated to have risen by 0.16 percent to 3.12 million tonnes, data showed. China’s aluminium and steel production fell in August from the previous month, but output of both metals would likely be at a record high this year.

Base Metals

TECHNICAL OUTLOOK:

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COPPER:

On the Daily Chart: Copper makes study & smart recovery in Sep after falling last 2-3 months and trying to approach its June peak. Chart indicator suggest more upside in the counter as its trading well above all 3-SMA with above signal line MACD steep recovery in RSI indicates more upside in coming days.

Expected Support & Resistance level for the month

Copper	S1	S2	R1	R2
MCX	446	423	470	495

RECOMMENDATION:

COPPER MCX:- Sell below 435 Stop Loss above 446 Target 423-415 Range.
Buy above 460 & more above 470 Stop loss below 446 Target 490-495.

LEAD:

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Technical Outlook:

Expected support and Resistance level for the month

Lead	S1	S2	R1	R2
MCX	142	137	152	161

RECOMMENDATION:

LEAD MCX: - Sell below 143 & 142 Stop Loss above 149 Target 137-134.
Buy Only above 152.50 Stop Loss below 146 Target 160-162

ZINC

make money. not mistakes.

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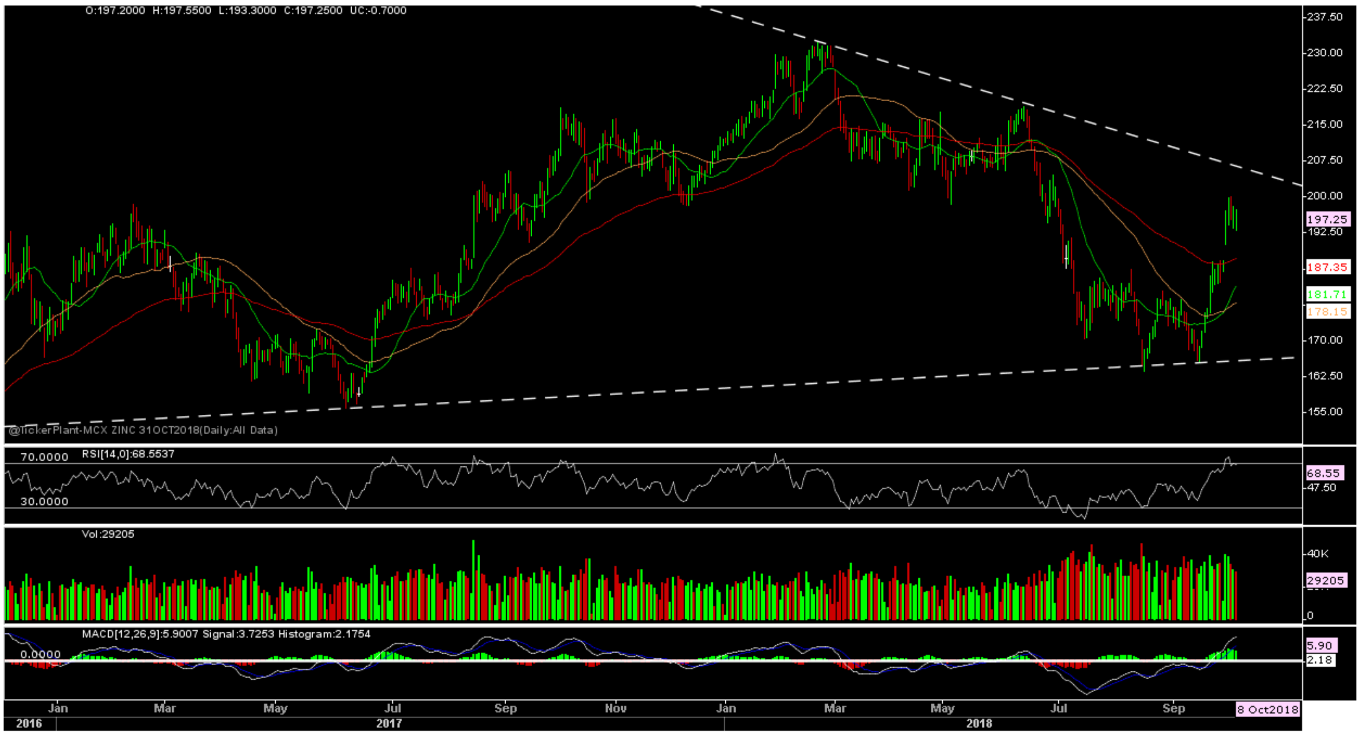
TECHNICAL OUTLOOK:



Expected Support & Resistance level

Zinc	S1	S1	R1	R2
MCX	**182.5**	**173.5**	**201**	**205**

RECOMMENDATION:

ZINC MCX :- sell below 182 Stop Loss above 186 Target 176-174
Buy above 201 & 205 Stop Loss below 193 Target 213-219

NICKEL

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TECHNICAL OUTLOOK:

Expected Support & Resistance level

Nickel	S1	S1	R1	R2
MCX	900	884	960	970

RECOMMENDATION:

Nickel MCX :- Buy above 960 & more above 970 Stop Loss below 920 Target 1010-1030
Sell only below 900 & 884 Stop Loss above 915 Targets 860-850

BONANZA RESEARCH TEAM

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Fundamental Outlook by: **Mr.Vibhu Ratandhara**

Technical Outlook by: **Mr. Vibhu Ratandhara**

BONANZA COMMODITY BROKERS PVT. LTD.

DATE- Oct 7th, 2018

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