MONTHLY BULLETIN (RESEARCH) Date 10th Oct 2021

GOLD

Market Outlook and Fundamental Analysis:

Bullion register 2nd consecutive monthly fall of 3% in Sep and fail to breach $ 1850/oz in third monthly attempt while silver seen 4th consecutive monthly fall of 6% towards July'20 low as reduced central bank stimulus and interest rate hikes tend to push government bond yields up, in turn translating into a higher opportunity cost for gold that pays no interest. Platinum register 4th monthly fall of 5% and Palladium 5th consecutive monthly fall of more than 25% in Sep. The dollar index hovered near a more than 10-month high and the benchmark U.S. 10-year Treasury yields held close to over three-month peak, increasing the opportunity cost of holding non-interest bearing bullion. Gold is considered a hedge against inflation and currency debasement that tends to result from widespread money printing by central banks. An interest rate hike by the Fed would dull bullion's appeal compared with interest-earning assets.

China's net gold imports via Hong Kong in August fell modestly from the previous month, Hong Kong Census and Statistics Department data showed.

Holdings of SPDR Gold Trust, the world's largest gold-backed exchange-traded fund, slipped to 990.03 tonnes.

US Nonfarm payrolls, a gauge for economy & interest rates, shows, economy created the fewest jobs in nine months in September amid a drop in hiring at schools and worker shortages, but ebbing COVID-19 cases and the end of generous unemployment benefits could boost employment gains in the months ahead. Nonfarm payrolls increased by 194,000 jobs last month. Data for August was revised to show 366,000 jobs created instead of the previously reported 235,000 positions. Employment is 5.0 million jobs below its peak in February 2020.

U.S. private employers increased by 568,000 jobs last month, the ADP National Employment Report showed. Data for August was revised lower to show 340,000 jobs added instead of the initially reported 374,000. Economists polled by Reuters had forecast private payrolls would increase by 428,000 jobs.

In its latest policy meet, The Federal Reserve said it will likely begin reducing its monthly bond purchases as soon as November and signaled interest rate increases may follow more quickly than expected as the U.S. central bank's turn from pandemic crisis policies gains momentum. The slight hawkish tilt was signaled in a new policy statement and economic projections that showed nine of 18 Fed officials ready to raise interest rates next year in response to inflation that the central bank now expects to run at 4.2% this year, more than double its 2% target rate. A drawdown of the central bank's $120 billion in monthly bond purchases could begin after the Nov. 2-3 policy meeting as long as U.S. job growth through September is "reasonably strong, Fed Chair Jerome Powell said in a news conference following the central bank's latest two-day session.

The IMF expects global economic growth in 2021 to fall slightly below its July forecast of 6%, citing risks associated with debt, inflation and divergent economic trends in the wake of the COVID-19 pandemic.

On data side, The U.S. trade deficit raced to a record high in August, boosted by imports as businesses rebuild inventories, the latest sign that economic growth slowed in the third quarter. The trade deficit surged 4.2% to $73.3 billion last month, the highest since the government started tracking the series. Economists polled by Reuters had forecast the trade gap widening to $70.5 billion. US factory orders increased 1.2% in August against Economists polled by Reuters had forecast factory orders gaining 1.0% and data for July was revised higher to show orders rising 0.7% in July instead of gaining 0.4% as previously reported. Euro zone inflation hit a 13-year high last month and looks likely to jump higher still, further clouding the European Central Bank's benign view of the biggest price spike since before the global financial crisis. U.S. retail sales unexpectedly increased in August as a surge in online and furniture store purchases offset a continued decline at auto dealerships, which could temper expectations for a sharp slowdown in economic growth in the third quarter. Retail sales rose 0.7% last month. Data for July was revised down to show retail sales declining 1.8% instead of 1.1% as previously reported. Economists polled by Reuters had forecast retail sales would drop 0.8%.

The Reserve Bank of India's monetary policy committee kept interest rates steady at record lows, as widely expected, and reiterated the need to unwind pandemic-era stimulus only gradually to aid the nascent economic recovery. Ratings agency Moody’s Investors Service upgraded its outlook on India to stable from negative, saying downside risks in Asia’s third largest economy and its financial institutions have reduced. Moody’s affirmed India’s sovereign credit rating at Baa3.

India's gold imports in September soared 658% from last year's lower base as a correction in local prices to the lowest level in nearly six months prompted jewellers to step up purchases for the upcoming festive season, a government source said. India imported 91 tonnes of gold in September, compared to 12 tonnes a year earlier. India's gold imports in the September quarter surged 170% from a year ago to 288 tonnes, the government official said.

On domestic Data update, India's services industry expanded for a second straight month in September, bolstered by improved domestic demand and easing COVID-19 restrictions, pushing firms to hire more employees for the first time in nearly a year, a private survey showed. India's factory activity improved last month as a recovery in the economy from the pandemic-induced slump boosted demand and output, according to a private survey, but firms reduced headcount at the sharpest pace since May.

Going ahead, Rollouts of vaccines to combat the virus and trillions of dollars’ in fiscal support are expected to boost investment and spending in 2021, spurring demand for raw materials from oil to copper. Also, If U.S. growth slows down next year, as expected, gold would benefit from higher demand for defensive assets. In nutshell, Performance of financial markets, monetary policy in key economies including here, and the dollar movement will determine gold performance in 2021. Gold could move higher with risk assets next year as long as monetary and fiscal conditions remain accommodative, while lower yields will encourage investors to hedge riskier assets with gold. Given the rising inflation expectations, weakening dollar and lofty valuations in some risky assets, demand for safe-haven inflation hedges should remain supported this year, and we can expect gold to test its all time high above $2,100/toz in this year. Gold is often used by investors as a hedge against political and financial uncertainty.

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Technical Outlook:

On the Daily Chart:

In COMEX GOLD is trading at $1754

Expected support and Resistance level for the month

Gold	S1	S2	R1	R2
COMEX/DG CX ($)	1745	1720	1780	1800
MCX (Rs.)	46250	45700	47400	47900

RECOMMENDATION:

MCX Gold Dec: Buy ONLY above 47400 Stop Loss 47100 Targets 47900-48200.
Sell below 46250 Stop Loss 46500 Target 45700-45500.

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SILVER

Technical Outlook:

On the Daily Chart:

Expected support and Resistance level for the month

Silver	S1	S2	R1	R2
COMEX/DG CX ($)	23.20	21.40	23.25	25
MCX (Rs.)	60000	58000	62700	64000

RECOMMENDATION:

MCX Silver Dec: Buy Only above 62700 Stop Loss below 61900 Targets 64000-64400
Sell below 60000 S/L above 61000 Target 58300-58000.

CRUDE OIL

Market Outlook and Fundamental Analysis

Energy complex continue its northward journey with benchmark Brent & WTI both gain by almost 10% for the month Sep as global economic recovery resulted in sharp demand jump with OPEC+ stick to their plan and after Natural Gas prices skyrocketed. Brent has risen over 50% this year and reached a 3-year high of $80.75 on last week of the month. Oil is also finding support as a surge in natural gas prices globally prompts power producers to move away from gas. "The most likely reason for stable oil prices is that investors believe the supply-demand gap will widen as the power crisis worsens. Also, reports that China was prepared to buy more oil and other energy supplies to meet growing demand offset price pressure from an unexpected rise in U.S. crude inventories and a strong dollar. A possible dampener on oil prices has been the power crisis and housing market concerns in China, which have hit sentiment because any fallout for the world's second-biggest economy is likely to affect oil demand.

OPEC+ said in its latest meet, it would stick to an existing pact for a gradual increase in oil output, sending crude prices to three-year highs and adding to inflationary pressures that consuming nations fear will derail an economic recovery from the pandemic. The OPEC, Russia and allies, known as OPEC+, have faced calls for additional supplies from big consumers, such as the United States and India, after oil surged more than 50% this year. OPEC+ "reconfirmed the production adjustment plan" that it previously agreed that would see 400,000 bpd added in November, the group said in a statement issued after online ministerial talks. The group had agreed in July to boost output by 400,000 bpd a month until at least April 2022 to phase out 5.8 million bpd of existing production cuts, already much reduced from curbs that were in place during the worst of the pandemic.

OPEC oil output rose in September to its highest since April 2020, a Reuters survey found, as Nigerian output recovered from involuntary losses and the group's top producers further eased supply curbs under a pact with its allies. The OPEC has pumped 27.31 million barrels per day (bpd), the survey found, up 420,000 bpd from August's revised estimate. Output has risen every month since June 2020, apart from in February. The OPEC+ agreement allows for a 400,000 bpd production increase in September from all members, of which 253,000 bpd is shared by the 10 OPEC members covered by the deal, OPEC figures seen by Reuters show.

Other side, British petrol stations are still seeing unprecedented demand with more than a quarter of pumps still dry as the fuel crisis cut road traffic volumes to the lowest level since the COVID-19 lockdowns ended two months ago.

U.S. energy firms this week added oil and natural gas rigs for a fourth week in a row as more storm-hit offshore units resumed service in the Gulf of Mexico. U.S. energy firms last week of the month added oil and natural gas rigs for a fourth week in a row as more storm-hit offshore units resumed service in the Gulf of Mexico.

U.S. crude oil production increased by 31,000 barrels per day in July to 11.307 million bpd, up from a revised 11.276 million bpd in June, the U.S. Energy Information Administration said in a monthly report. Gasoline demand was 9.313 million bpd in the month, while demand for diesel and other distillate fuels was 3.658 million bpd, according to the report.

Meanwhile, monthly gross natural gas production in the U.S. Lower 48 states rose 0.5 billion cubic feet per day (bcfd) in July to a 16-month high of 104.5 bcfd, the EIA said in its monthly 914 production report. That was the second month of increases in a row.

India has increased the price of locally produced gas from old fields for October 2021-March 2022 to $2.90 per mmBtu, the government said, amid an increase in global gas prices. The new price represents a 62% increase from the April-September 2021 price of $1.79/mmBtu, which was the lowest since 2014. India also increased the ceiling price for gas produced from more challenging fields to $6.13 per mmBtu for October 2021-March 2022 from $3.62 per mmBtu in the prior six-month period, the statement read.

Oil use will rise by 1.7 million barrels per day in 2023 to 101.6 million bpd, OPEC said its 2021 World Oil Outlook, adding to robust growth already predicted for 2021 and 2022 , and pushing demand back above the pre-pandemic 2019 rate. The view from the OPEC contrasts with that of the IEA, which in a May report said investors should not fund new oil projects if the world wants to reach net zero emissions. OPEC also lowered its estimates for longer-term oil demand, citing changes to consumer behaviour brought about by the pandemic and competition from electric cars. Global demand is expected to plateau after 2035, the report said.

In India, oil imports hit a three-month peak in August, rebounding from nearly one-year lows touched in July, as refiners in the second-biggest importer of crude stocked up in anticipation of higher demand.

Going ahead, Oil prices are unlikely to mount much of a recovery in 2021 as a new coronavirus variant and related travel restrictions threaten already weakened fuel demand. A new variant of the coronavirus detected in Britain raises the risk of renewed restrictions and stay-at-home orders, which along with a phased rollout of vaccines might restrict further price gains. Additional lockdown measures and the careful OPEC+ dance of raising output will be the focal point for the first half of the year.

<u>Technical Outlook</u>:-

On the Daily Chart:

Expected Support and Resistance level for the month

Crude	S1	S2	R1	R2
NYMEX/DG CX ($)	78.5	75	82.20	85
MCX (Rs.)	5875	5600	6200	6400

RECOMMENDATION:

MCX Crude: Sell below 5600 Stop Loss above 5720 Target 5450-5375.
Buy above 6200 Stop Loss below 6050 Target 6400-6500

Natural Gas

Technical Outlook:

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RECOMMENDATION:

MCX NG : Buy above 442 Stop Loss below 430 for Targets of 455-465.
Sell below 401 S/L above 410 Target 390-384 Range

Base Metals

Market Outlook and Fundamental Analysis

COPPER:

Base metals seen mix of trend with benchmark copper register first quarterly loss in last six as the prospect of the U.S. Federal Reserve scaling back its pandemic stimulus pressured the metal used to gauge global economic health while Zinc & Aluminum rally towards 6th quarterly gain as supply disruptions and solid demand boosted appetite for the metal used in products from food cans to plane parts. Copper down 6% in Sep, its 2nd consecutive monthly fall & first quarterly drop (around 2.5%) of last six, while Nickel down 8% after hit fresh 7-year high during the month. Lead down 5.5% towards 5-month low. However, best performing metal Aluminum gain 5.5% with double from its march last year low on supply fears after the government in China's major producing province of Yunnan said it would cancel preferential electricity price policies for aluminium smelters. Zinc ended flat from 3-year high hit during the month while Tin have surged 91.5% this year, backed by pandemic-led supply disruptions in major producing countries and booming demand for electronics. Nickel prices climbed towards 7-year highs as supply fears resurfaced after an Indonesian government official said the country was looking at taxes on exports of the stainless steel ingredient.

Copper production in Chile, the world's top producer of the metal, dropped 4.6% year-on-year in August amid falling ore grades and labour strikes at key deposits, government statistics agency INE said. ShFE copper inventories on last trading day of the month fell to 43,525 tonnes, the lowest since June 2009, cushioning losses in copper prices. In warehouses registered with the LME, on-warrant stocks were at their lowest since June at 124,200 tonnes.

On-warrant stocks of tin available in LME-registered warehouses have fallen to 675 tonnes from around 1,500 tonnes in July and more than 5,000 tonnes a year ago. Inventories in Shanghai Futures Exchange (ShFE) warehouses have fallen to 1,278 tonnes from more than 8,500 tonnes in March.

In China, a shortage of coal supplies, toughening emissions standards and strong demand from manufacturers and industry have pushed coal prices to record highs and triggered widespread curbs on usage.

The global zinc market deficit narrowed to 6,600 tonnes in July from a revised deficit of 40,000 tonnes in June, while a surplus in the global lead market fell to 11,700 tonnes from 13,400 tonnes during the same period, data showed. The 380,000-tonne tin market will see a 10,200-tonne deficit this year and a 12,700-tonne deficit in 2022, the International Tin Association said in June. A global nickel market deficit declined to 24,700 tonnes in July from 32,400 tonnes in June, data from the International Nickel Study Group (INSG) showed.

China's aluminium output in August slipped for a 4th straight month to 3.16 million tonnes, as restrictions on metal production and power usage in key smelting hubs kept supply tight.

Latest numbers from top metal consumer China shows, China's factory activity unexpectedly shrank in September due to wider curbs on electricity use and elevated input prices, while services returned to expansion as COVID-19 outbreaks receded, offering some relief to the world's second-biggest economy. The official PMI was at 49.6 in September versus 50.1 in August, data from the National Bureau of Statistics showed, slipping into contraction for the first time since February 2020. Analysts in a Reuters poll had expected the index to remain steady at 50.1, unchanged from the previous month. The 50-point mark separates growth from contraction.

Going ahead, A year into the coronavirus pandemic, the focus has been on the vaccines vs variants battle crucial to restoring some normality to the world economy. As per latest numbers effect of Covid-19 will likely to be longer than expected and play a bigger role to decide fresh direction for global growth as well base metals Prices. However, stimulus offer by various countries including China, US, EU… may support base metals at lower level but all will depend on how long global shut down will remain & ultimate its effect on different countries economy & trade. Chinese authorities are expected to roll out more supportive measures on top of a range of policy initiatives this year. Such measures - mostly medium to long-term policies - are likely to put a floor under the slowing economy in the second half of the year at the earliest.

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Base Metals

TECHNICAL OUTLOOK:

COPPER:

Expected Support & Resistance level for the month

Copper	S1	S2	R1	R2
MCX	721	700	746	755

RECOMMENDATION:

COPPER MCX:- Sell below 721 Stop Loss above 730 Target 705-700 Range.
Buy above 746 Stop loss below 737 Target 755-760

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LEAD:

Technical Outlook:

Expected support and Resistance level for the month

Lead	S1	S2	R1	R2
MCX	179.5	177.56	185.5	190

RECOMMENDATION:

LEAD M MCX: - Sell below 177 Stop Loss above 180 Target 170-167.
Buy Only above 185.5 Stop Loss below 182 Target 192-195

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ZINC

TECHNICAL OUTLOOK:

Expected Support & Resistance level

Zinc	S1	S1	R1	R2
MCX	260	249	275	281

RECOMMENDATION:

ZINC MCX :- Sell Only below 260 Stop Loss above 264 Target 253-250 Range
Buy above 275 Stop Loss below 270 Target 282-285

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NICKEL

TECHNICAL OUTLOOK:

Expected Support & Resistance level

Nickel	S1	S1	R1	R2
MCX	1455	1405	1520	1540

RECOMMENDATION:

Nickel MCX :- Sell below 1405 Stop Loss above 1430 Targets 1370-1350
Buy Only above 1520 Stop Loss below 1490 Targets 1550-1570

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BONANZA RESEARCH TEAM

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DATE- Oct 10th, 2021

Disclosure:

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