COMMODITY & CURRENCY CANVAS

Monthly Report

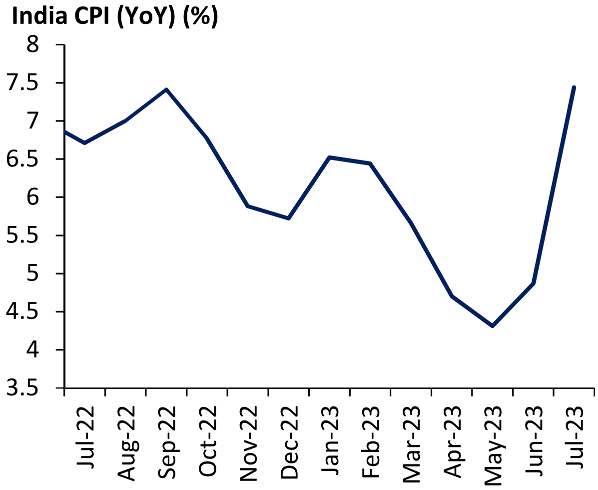
Sept, 2023 | Issue 90

Contents

Currencies

Fundamental Outlook

Rupee in the last few weeks has consolidated in a 1% range of 82.30 and 83.20, despite economic concerns in China and a surge in the dollar against its major crosses. In line with expectations, the RBI held rates unchanged and also maintained its withdrawal of accommodative stance intact. The central bank raised its inflation forecast for FY24 to 5.4% from previous estimates of 5.1%, while growth projection was retained at 6.5% for FY24. The RBI asked banks to set aside a larger part of its incremental deposits to tighten liquidity. According to the decision, banks will now have to maintain an incremental CRR of 10% and this did hit the overall market sentiment. On the domestic front, inflation rose sharply to 7.44% in July from 4.87% in the previous month. Vegetable inflation was the highest contributor to an uptick in inflation.



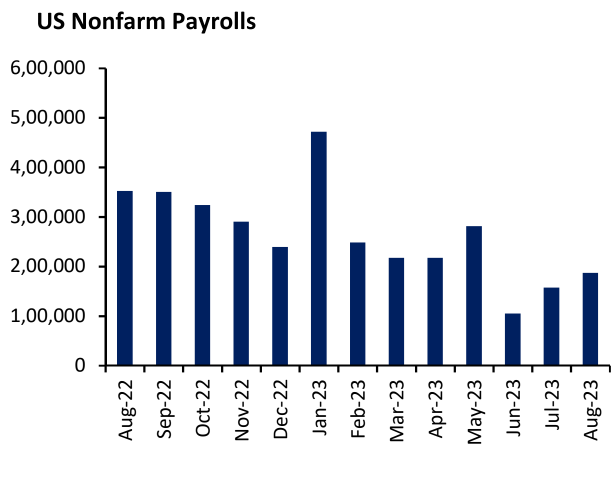
Source: Reuters

During the month, economic concerns in China also led to weakness in the rupee. Volatility was curtailed after some sources suggested that the RBI has asked banks to stop taking fresh arbitrage positions in the NDF market. Suspected dollar selling was to the tune of $1billion also triggered a move for the rupee. Weakness for the rupee was curbed by active intervention by the RBI and fall in the reserves justifies the reasoning. Latest data released by the RBI showed reserves are at $594.87 billion and has seen an erosion of $8-10billion in the last few weeks.

This month, on the domestic front, inflation number will be keenly eyed as vegetable prices continue to remain elevated. Global factors that have been on the forefront will continue to influence the rupee that has been stuck in range. On the global front, major central banks will be releasing their policy statements and most of them are expected to keep rates on hold.

Global Currencies

Dollar witnessed its longest winning streak in the last 15 months as it closed for the straight six weeks following safe haven buying on the back of uncertainty in China and better-than-expected economic numbers from the US. The Chinese Yuan fell to the lowest level in 9-months following a raft of economic numbers coming in below estimates. Weakness in the Chinese Yuan also pushed the PBoC announced a surprise rate cut, second time in the last three months. Record credit growth and deflation risk in the economy is pushing officials to introduce more stimulus measures. Most of the commodities too witnessed selling pressure on back of economic slowdown in China and strength in the dollar.

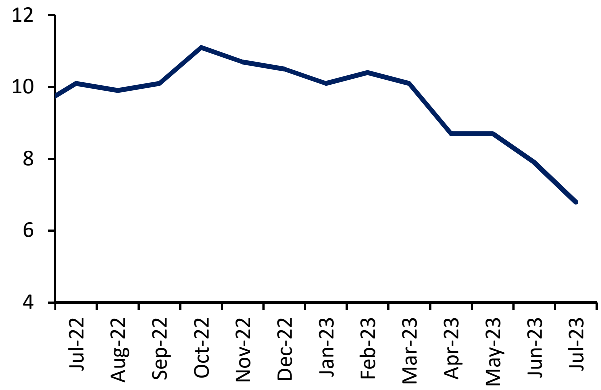


Source: Reuters

Non-farm payrolls data showed the US economy added 187k jobs in August as compared to expectation of 170k job addition. Initial reaction on the dollar was marginally negative as the unemployment rate rose and average hourly earnings came in marginally lower. This month, the Fed will release its policy statement and expectation is that the central bank could keep rates on hold. Commentary from the Fed governor is likely to guide the dollar for the next few weeks.

Euro and pound gained in the past couple of weeks, but overall has been under pressure in the last couple of months as crosses have been weighed down following strength in the dollar and weak economic numbers from both these economies. From the UK, inflation grew at a slower pace in July at 6.8% as compared to 7.9% in the previous month. UK has been struggling with higher inflation and the Bank of England has raised rates similar to what the Fed has been doing. This month, Bank of England will release its policy statement and expectation is that the central bank could keep rates on pause. The policy judgment now has to be whether employers will respond to the inevitable above-inflation wage demands by attempting to preserve past improvements in profit margins. This month, the ECB and the BoE policy statement will be released and expectation is that the central bank could keep rates on hold, but weaker-than-expected economic numbers could keep both the currencies weighed down.

UK CPI (%)



Source: Reuters

Japanese Yen fell against the US dollar for the sixth successive week and volatility was low for the month following suspected intervention by the Bank of Japan. The safe-haven currency has shown no signs of an imminent change in its super-easy monetary policy stance. One of the officials of the BoJ indicated earlier in the month that it was premature to tighten monetary policy as recent increases in inflation were mostly driven by higher import costs rather than wage gains. This month, from Japan, final GDP, industrial production and retail sales number will be important to watch. Apart from these economic numbers, Bank of Japan will release its policy statement and expectation is that the central bank could keep maintain a similar stance as it had at its last meeting.

Technical Outlook

USDINR

USDINR traded in a relatively higher band between 82.10-83.20 levels in August before closing the month around 82.75 mark – higher by about 0.6% for the period. The pair had found support near 81.60 mark earlier in July. Looking ahead, short-term consolidation between immediate support at 82.30 and key resistance near life-time high of 83.20-83.30 zone looks possible. Meanwhile, medium-term bias looks positive as long as the pair holds above 81.60 on closing basis. Buying on dips is advised targeting 83.20 followed by 83.50 level. The bias would negate only on sustained breach of 81.60 mark.

EURINR

EURINR expectedly traded in a relatively lower band last month as it extended its correction which began earlier in mid-July. The pair fell towards a 2-month trough near 89.20 before recovering marginally and closing the month around 89.65 mark – down by about 1.4% for the period. Looking ahead, short-term bias remains corrective below immediate resistance at 90.80 and sustained break below 89.20 could extend the correction towards lower supports at 88.40-87.80 levels. Selling on rise is thus advised from a short-term horizon. Stiff higher resistance is at 91.50-91.70 zone while strong lower support is at 86.90 mark.

GBPINR

GBPINR traded in a relatively wide range between 103.90-106.30 in August before settling at a 6-week low near 104.70 mark – down by 1% on profit-booking. The pair initially rallied from short-term support near 104.40 towards resistance at 106.30 mark only to correct sharply later on. Looking ahead, short-term bias remains corrective below 106.30 and an extended fall towards lower supports at 103.30-102.10 levels looks possible. Selling on rise is thus advised. Meanwhile, higher resistances are seen at 107.20-108.10 levels.

JPYINR

JPYINR traded in a relatively lower range last month as it corrected from a 2-month peak near 60 mark tested earlier in July. The pair slipped lower towards 56.50 before closing around 57.15 mark –ending lower by about 1.8% for the period. Looking ahead, short-term bias remains corrective as long as the pair holds below immediate resistance at 57.80-58.10 zone and a test of support near 55.90 level looks possible. Selling on rise is thus advised for the short-term. Meanwhile, medium-term bias remains positive above strong lower support at 54.50 (tested in October 2022) and buying is likely to resume once price gets close to this support.

EURUSD

EURUSD extended its correction into August as it fell and closed at a 6-week low below 1.08 mark. The pair had earlier rallied to a 15-month peak near 1.127 in July but has been correcting since. Looking ahead, current correction is likely to extend lower as long as the pair holds below 1.1070 mark. Selling on rise is thus advised targeting 1.0650-1.0530 levels. Stiff higher resistances are seen at 1.115 and 1.1270 levels.

GBPUSD

GBPUSD traded in a relatively lower band last month as it consolidated in a broad range between immediate support at 1.26 and resistance near 1.2850. The pair eventually closed near the lower end of the band around 1.2670 mark – down by about 1.3% for the period. Looking ahead, short-term bias remains corrective below 1.2850 and test of lower supports at 1.2420-1.23 levels looks likely. Selling on rise is thus advised. Meanwhile, higher resistances are seen at 1.2980-1.3050 levels.

USDJPY

USDJPY traded in a positive range in August as it stretched its short-covering move higher. The pair rallied towards the highest level since November 2022 after it broke out of stiff resistance near 145 mark. Looking ahead, short-term bias remains positive above support at 145 level and current rally could extend higher towards 147.50-149 levels. Buying on dips is advised. Meanwhile, from a medium-term perspective, 152 level tested in October 2022 is likely to act as an important resistance and failure to breach the same could resume the earlier decline. Lower supports are seen at 143.30-142.20 levels.

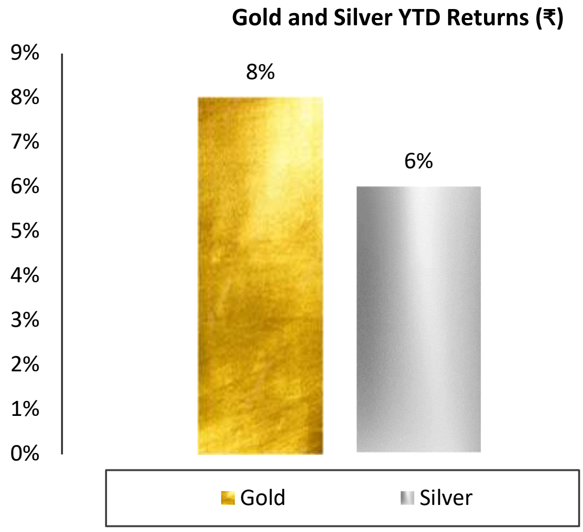
DOLLAR Index

Dollar Index traded in a relatively higher range after it broke out of resistance near 102.80 level in mid-August. The pair tested a 3-month peak near 104.40 before closing around 103.70 mark – higher by about 1.75% for the period. Looking ahead, short-term bias looks positive above support at 102.80 and current rally is likely to extend higher towards 105.10-105.60 level. Meanwhile, strong lower support is at 101.70 and bias would turn negative only on break below the same. Lower support is around 100.50 level.

Precious Metals

Fundamental Outlook

Gold and Silver prices have witnessed a significant move on the upside, both metals have posted gains of more than 6% YTD. Last few sessions of the previous month have been very critical, a lot of data points and events were scheduled which provided this boost to gold and silver prices. Impact of aggressive rate hikes till now, were seen in August, as US consumer confidence, US GDP, JOLTS and other data were reported lower than expectations. On other hand, Jackson Hole symposium was also an important event, wherein governor Powell raised expectations for more rate hikes with an objective to calm inflationary pressures, but also cautioned the market and reiterated that US central bank will remain "Data-Dependent".



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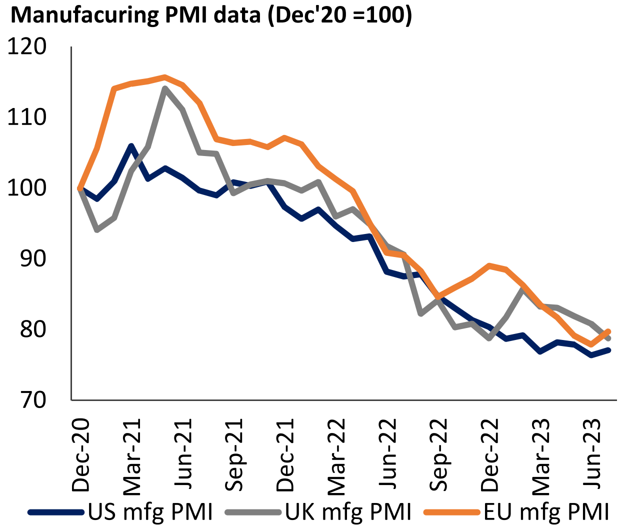


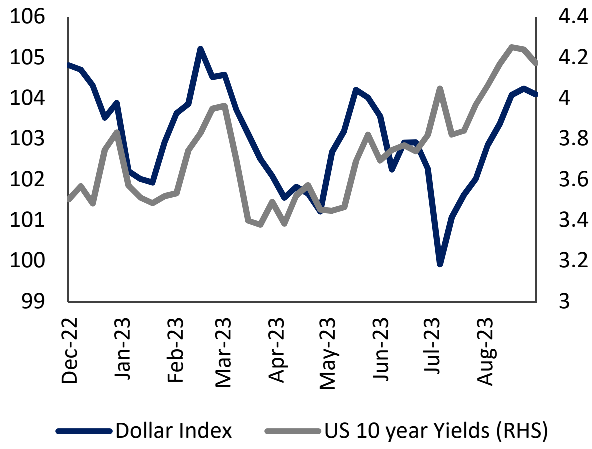
Source: Reuters

Economic data points have been very important as it guides market on the overall economic health and impact of aggressive rate hikes of major central banks. Last month, PMI's of major economies were reported below the 50 mark increasing the distress in the market. Along with that US GDP was also reported slightly lower than expectations at 2.1%, but keeping hope alive for a 'soft landing'. There have been no major fire crackers in the US labour market since last few months, the recent US non-farm payroll data reported an addition of 187K v/s expectations of 170K; while the unemployment rate surged to 3.8% from 3.5% triggering an immediate positive reaction in safe haven assets.

Governor Powell has warned that inflation remains too high, raising the prospect of further interest rate increases in the world's largest economy should price pressures persist. US CPI and PCE price index both in the previous month were more or less in-line with estimates not giving much of clues for further change in monetary policy. In a highly anticipated speech in Jackson Hole symposium, Governor Powell struck a hawkish tone, pointing to the central bank's readiness to maintain a restrictive policy to bring inflation down to its 2% target. However, he delivered that message with a pledge to proceed carefully as the Fed navigates the final stages of its rate hike campaign.

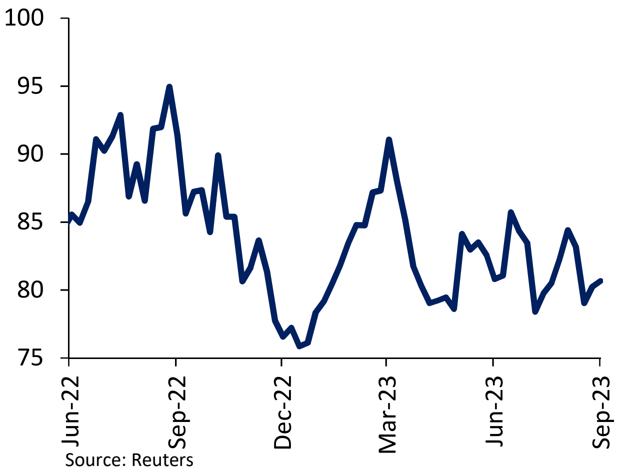
Amidst these data points and commentary from Fed policy makers, Dollar Index and US Yields picked up a significant pace in the previous month. After a hitting a low of ~99.60 in the month of July, Dollar Index has not looked back, rallying by ~1.7. On other hand, US 10Y Yields posted gains of ~3.4%, raising interest rate expectations in the market. Interestingly, the expectations have been quite different from sentiments, as probability chart has another story to tell. On one hand, economic data, Fed official's comments are keeping the possibility of rate hike alive; on other hand, probability chart from CME Fed watch-tool indicates that there could be a pause in September meeting. The probability for pause in Sep. Fed meeting is more than 90% and the same for Nov. meet is more than 50%.

Dollar Index and US 10Y Yield



Source: Reuters

Gold/Silver ratio



Source: Reuters

Silver prices have been very volatile in the previous month - weak economic data from China and updates regarding the country's distressed property sector led to an initial pressure in silver, however, with gold trading in a broad range and PBoC announcing various stimulus measures supporting its economy led to some appreciation in most of the metal prices. This volatility was well seen in Gold/Silver ratio, at the start of the month the ratio went as high as 85 and from there a fall was witnessed around 78 levels.

Gold ETF saw an outflow in the previous month of ~ 23 tonnes marking the total SPDR holding at ~890 tonnes. While on other hand, silver ishares reported an outflow of ~400 tonnes and holdings currently stand at ~13,640 tonnes. Looking at the latest COMEX money managed CFTC positioning, net positions in the previous month for gold, were down by 58,157 contracts; whereas net positions for silver were down by ~3240 contracts. For a brief period of time, silver net shorts did over power the market, however it quickly reversed from there.

Outlook:

Investors in the month of September, will focus on Fed announcements regarding interest rate hikes. They will also monitor important economic data points like inflation, PMI and few other which provide a signal for the overall economic health. As we approach festive season we could see a surge in physical demand on domestic front, which has been a bit lacklustre since a past few months. Even though gold benefits from rising probability for a pause in rate hike cycle, stronger US dollar and treasury yields could provide further headwinds for the metal. Along with comments from Fed officials, updates from China will also be important to watch, as any sign of decreasing panic could lead to a rise in metals. Gold could witness some upside if there is any change in Fed's stance, if not, it could continue to hover in a broad range, whereas a buy on dips stance could be maintained for silver.

Technical Outlook

GOLD

MCX Gold prices settled the month of August on a flat note after witnessing volatile sessions throughout the month. After recording the high of Rs.59930 at start of the month, prices gave up the gains and recorded the low of Rs.58275 in the middle of the month. However, prices picked up momentum on the higher side towards the end of the month. On daily chart, Gold prices have formed Inverse Head and Shoulder pattern which is considered as a bullish reversal pattern. The neckline of the pattern is observed at Rs.59800 level. A decisive break above this level is likely to trigger next leg of rally which could push prices towards Rs.61000 level in the medium term. A decisive break above this level could accelerate the momentum on higher side and push prices towards Rs.62500 level. The key immediate support for the counter is observed at Rs.58500. The next critical support is placed at Rs.57500 level. Buy on dips is suggested in the counter in the range of Rs.58500 to Rs.59000 levels. Our view will be negated if prices break below Rs.57500 level on sustainable basis.

SILVER

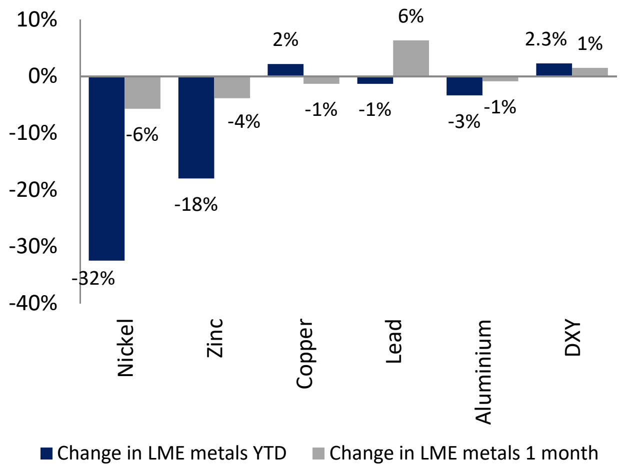
MCX Silver witnessed wild swings in prices throughout the month of August where prices recorded the low of Rs.69376 and high of Rs.77200 levels. Prices have breached above the 20-weeks moving average which is observed at Rs.72800 level. It will act as key support for counter in the medium term. The critical support is placed at Rs.72000 level. However, the recent high of Rs.77200 will act as key immediate resistance for prices. A decisive break above this level is likely to trigger a fresh leg of rally in the counter which could push prices towards Rs.78500 and higher levels. The 14-period RSI on weekly chart has climbed above 55 mark which signals positive shift in momentum for the medium term. Buy on dips is suggested in the counter in the range of Rs.74000 to Rs.73500 level. Our view will be negated if prices break below Rs.72000 level on sustainable basis.

Base Metals

Fundamental Outlook

Copper prices ended August in losses, but despite that has shown some resilience in the last couple of weeks. Expectations for Chinese government stimulus dominate trading, Low copper inventories risk a supply squeeze as Chinese demand is set to rise in the coming peak season. China also announced moves to support its currency, which slid toward its weakest level since 2007 in August.

YTD and 1-month change in LME metals



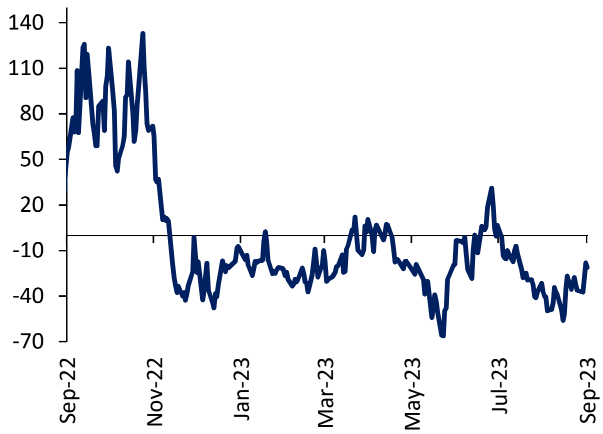
Some factors which are lending some short term support:

- Reversal in Caixin mfg. PMI which is above 51 last months – highest since Feb 2023
- Factory activity returning to expansion with supply, domestic demand and employment improving
- China issuing a raft of measures to revive its crisis-hit property market - lowering the existing mortgage rate for first-time home buyers and the down payment ratio in some cities
- September and October are seasonally strong on demand from Construction sector

It's a known fact that Chinese economic growth has been struggling and the economic data points coming out of China hasn't been very encouraging, with stress in the real estate sector pulling the economy down. This has prompted a series of responses, including measures specifically designed to bolster the domestic housing market. While these actions alone may not be sufficient to rejuvenate China's once thriving economy, they do indicate a willingness to provide economic support. Coupled with market expectations that the U.S. central bank will soon halt its rate hikes, this paints a more optimistic picture for the global economy, which in turn, is supportive of copper prices.

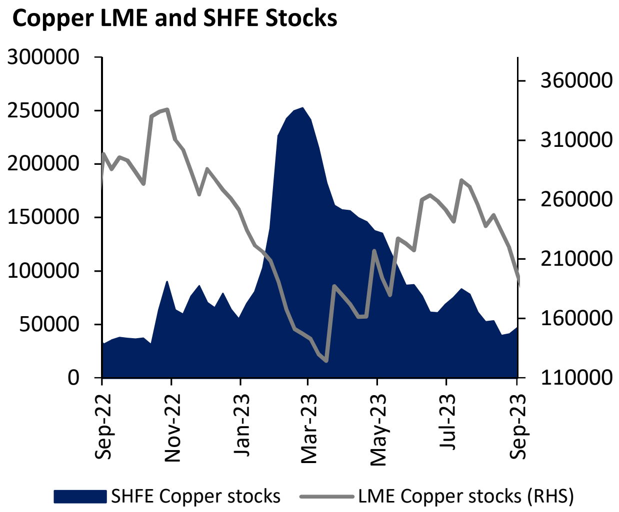
Recent CFTC data indicates a significant shift in sentiment among speculators, where they were seen unwind short positions. This reduction followed the largest short position held by these traders since March 2020. Sudden spurt in prices can lead to a short squeeze in the market, hence some weak hands were seeing pull-out of their positions. Short traders might get squeezed out of the trade in September. Trading depends on stimulus measures out of Beijing and the Fed's path.

Copper Cash-3M Spread($)



Source: Reuters

China's manufacturing activity contracted for a fifth straight month in August, extending a streak of weak macroeconomic data that have weighed on metals prices. However, the Chinese data maintained pressure on officials to provide support to shore up economic growth amid soft demand both at home and abroad, which would benefit metals demand. The Chinese government is continuing to provide support for the economy, aiming to stimulate local spending. New policies are being introduced, from cutting taxes on equity trading to lowering mortgage rates.



Focus is shifting towards strong consumption months for copper in China, which gives hope of some short term pullback. However even if China were to step up incremental policy support meaningfully, it takes time to reinvigorate the real economy and for impacts to show up in the data. We remain short term positive, but medium term picture will need some real ammunitions to fire.

Aluminium prices witnesses a sharp reversal from lows, sliding below $2000 briefly to bouncing back towards $2230 a ton, highest in a month, on expectations of robust demand from China, where stocks of the metal are low. Aluminium inventories in warehouses monitored by the ShFE have dropped nearly 70% to 98,114 tons since the middle of March and are at their lowest since late June.

The discount on aluminium for near-term delivery compared with the 3M contract on the LME has reached its highest since the global financial crisis of 2008, indicating weak demand and rising supply. The contango has persisted since early June when China's Yunnan province started ramping up energy-intensive aluminium production after the end of power curbs.

Global primary aluminium output rose by 1.8% YoY in the first half of 2023, mainly owing to higher production in China, which rose to near-record levels. China’s aluminium imports jumped 20.1% in July from a year earlier to 231,452 tons while imports for the first seven months of the year have climbed 12.2% from the same period in 2022 to 1.43 million tons. The rise in imports came amid tight stocks of the light metal and expectations for stronger demand in the autumn season. On-warrant stocks in LME warehouses fell to 199,425 tons of aluminium, the lowest in nearly seven months.

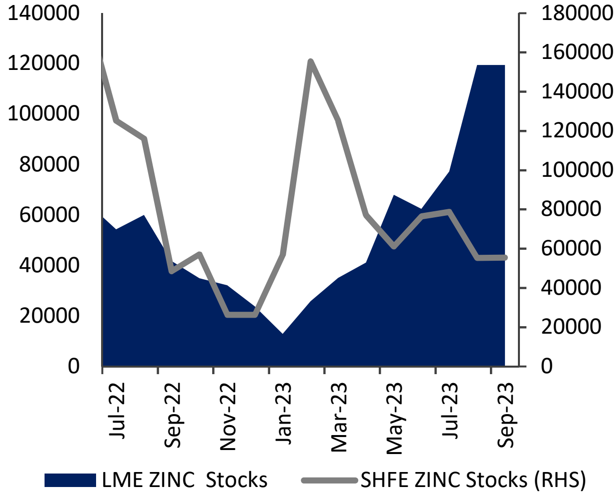
China imported 414,243 tons of primary aluminium from Russia in the first half this year, up 177.1% from the same period last year. That came against the backdrop of near-record high production of primary aluminium last month. Overall the short term appears to be poised well for bounce, but the medium term view is still hazy and better demand numbers could lend some clarity.

Zinc started to rebound driven by policy measures aimed at supporting China's wavering economic recovery, coupled with indications of increasing demand from the Chinese market. PBoC authorization for 12 provinces and regions to issue 1.5 trillion Yuan of special financing bonds is poised to enhance funding for construction and infrastructure ventures.

Zinc inventories in warehouses monitored by the Shanghai Futures Exchange fell by 20.2% to a seven-month low. The global zinc market surplus increased to 76,000 metric tons in June, up from 67,000 tons a month earlier, as per the ILZSG. During the first six months of the year, the global surplus was 370,000 metric tons compared to a surplus of 241,000 tons in the same period last year.

Overall, the Cash – 3M is once again moving towards a contango market which is giving indications of short term positive bias. However, is this just a bounce from beaten down lows or a swing of season demand which is supporting or there is more feet to the rally will be seen as the month progresses.

Zinc stocks in LME & SHFE



Technical Outlook

COPPER

MCX Copper witnessed volatile sessions throughout the month of August where prices recorded the high of 757.75 and low of 718.25 levels. Prices settled the month with loss of 2%. On weekly chart, prices have formed a base near 100 EMA (Exponential Moving Average) which is placed at Rs.712 level. Prices are trading in a upward sloping channel on weekly chart. The lower bound of the channel is acting as strong support for the counter which is placed near Rs.717 level. Prices have breached above the 20-weeks moving average which is placed at Rs.729 level. The 14-period RSI on weekly chart has crossed the mid-level of 50 mark which signals that momentum is picking up on the higher side for medium term. The next leg of rally is likely to push prices toward Rs.770 to Rs.780 levels in the medium term. Buy on dips is suggested in the counter. However, our view will be negated if prices decisively break below Rs.720 level.

ZINC

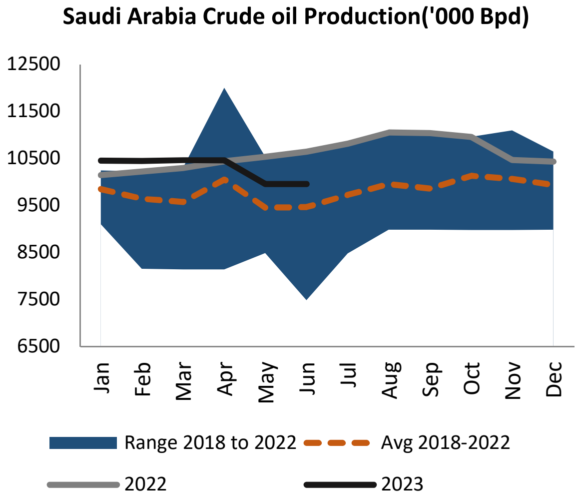
MCX Zinc prices recorded the high of Rs.228.45 at the start of the month of August but gave up the gains and recorded the low of Rs.207.75 in the middle of the month. Zinc prices have managed to hold the key support of Rs.209 level on sustainable basis. Zinc prices have picked up momentum on the higher side at the end of the month of August after taking support at the upward sloping trendline on daily chart. On weekly chart, prices have breached above the 20-weeks moving average placed at Rs.221 level which signals that counter is ready for a decent upside in the medium term. The key resistance is now observed at Rs.230 level. A decisive break above this level is likely to push prices towards Rs.245 level in the medium term. Buy on dips is suggested in the counter as long as key support of Rs.209 is not breached on closing basis.

ALUMINIUM

In the base metals pack, Aluminium prices gained by nearly 2% in the month of August. On weekly chart, the 14-period RSI has crossed the mid-level of 50 mark which signals that counter is gaining strength in momentum on the higher side. However, prices managed to hold the key support of Rs.194 level on sustainable basis. The key resistance is observed at Rs.205 level on closing basis. A decisive break above this level is likely to push prices towards Rs.212 to Rs.215 levels in the medium term. We suggest to remain on the long side in the counter as long as key support of Rs.194 is not breached on closing basis.

Energy

Fundamental Outlook



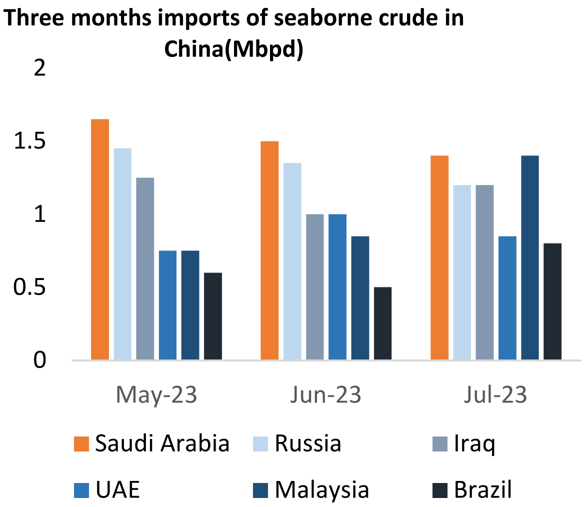
Source: JODI

Oil prices touched highest of 2023 as a month-long effort by OPEC+ to reduce supplies gripped the physical market and China showed a new resolve to bolster its economy, a key engine of global crude consumption. Bullish expectations of tightening oil supplies have grown after Russian Deputy Prime Minister Alexander Novak's remarks that Russia had agreed with partners in OPEC on the parameters for continued export cuts and will outline more reductions in production also. The reductions will likely add to ongoing supply cuts by Russia and Saudi Arabia, presenting a tighter supply outlook for the rest of the year, which is expected to boost prices.

The Chinese weakness made the market take a wait-and-see approach for this month only to find if China's policies to revive its real estate sector and consumer confidence are yielding results. Market participants expect additional stimulus and other measures from China to put its economic growth and industrial production on track to meet the authorities' 2023 targets. This was well within the range of 10-20 Million Metric tons estimated by market participants.

On Demand front however, U.S. road travel seen easing hereafter and the oil market typically entering a seasonal low in demand during the fall season starting Sept. 23, the market could start feeling heavy without a commensurate downside adjustment. This can bring some pressure and lower the pace in which oil prices rally.

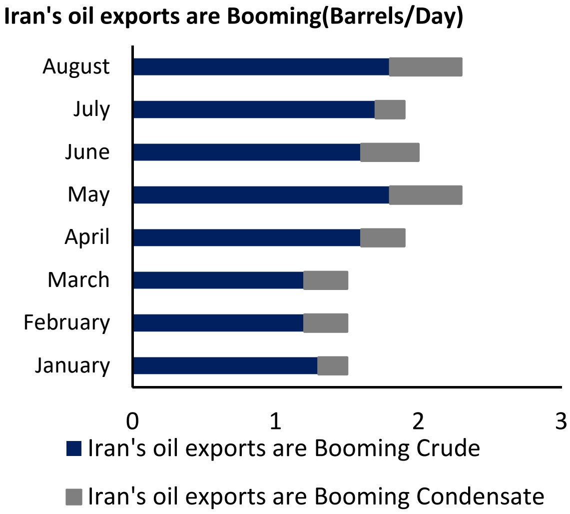
On Inventory front, continuous US stock draws have depleted equivalent by 34 million barrels since the middle of July, contributing to a sense the market is tightening and driving a recovery in spot prices and calendar spreads, adding upward pressure to oil prices despite economic woes.



Source: Twitter feeds

Persistent inventory depletion in the United States is usually interpreted as a sign the global market is running a deficit, causing spot prices and spreads to rise. Data from EIA indicated that commercial crude has accounted for all the drawdown in total inventories over the same period, which have fallen by just 19 million barrels since July 14, with products up by 12 million barrels and strategic stocks up by 3 million barrels. The recent drawdown has reversed a previous accumulation that had seen the surplus swelling since the end of April. On the Spread front, time spreads in both the near term and further out are flashing signs of strength with US crude's prompt spread has surged to the strongest level since November as inventories in the key storage hub of Cushing, Oklahoma, continue to be drawn down.

Bullish sentiments however got some hit by unexpected news of supply increase by Iran and start of deal with Venezuela. Data suggest that Iran's oil output and exports jump ed in August to 3.15 Mbpd despite U.S. sanctions as Tehran sells to buyers including China.



Source: EIA

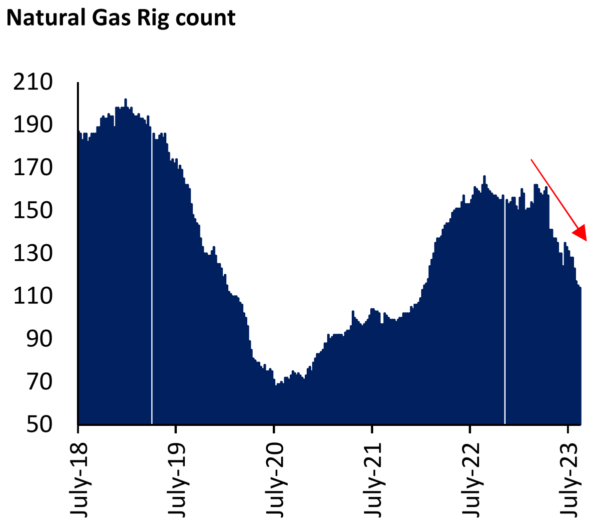
The higher exports appear to be the result of Iran's success in evading U.S. sanctions and discretion in enforcing them as the two countries seek better relations. In the U.S. President Biden faces a political risk for Biden as the November, 2024 elections approach and more supply on the global market could keep prices down.

OPEC+ export data have eased some concerns over higher supply as data showed that OPEC's oil production held broadly steady last month with Saudi Arabia's output slumping to about 5.6 Mbpd, the lowest since March 2021. That compares with a revised 6.3 Mbpd in July. Shipments to most major destinations, including China and the US, plummeted to multiyear lows. Overall, the group pumped 27.82mb/d in August or 40,000 more than the previous month.

On a macro front however, global growth seems to be more and more in danger as the economic data for many advanced countries is starting to roll over and some even continues to slip further contraction. The global PMIs continue to contract and recently even the services sector slipped into contractionary territory for many major economies. The central banks are resolute to keep monetary conditions tight for as long as necessary to bring inflation down, so there won't be any help coming from them in the near future.

Natural gas prices remained choppy, with a blend of fundamental updates starting from hot weather forecasts to hurricanes hitting the market which failed to impress investors. Inventories for the whole month were un-impressive with stocks continuing to build at a slower than normal pace with the current total of 3115 bcf being 8.7% above the five-year average.

LNG export also saw weakness as Gas flows to the seven big U.S. LNG export plants fell from an average of 12.7 bcfd in July to 12.3 bcfd in August due mostly to reductions at Cheniere Energy's (LNG.A) Sabine Pass in Louisiana and Corpus Christi in Texas.



Source: EIA

That compares with a monthly record of 14.0 bcfd in April. On Supply front, higher dry production still remains a major concern for the market with Baker Hughes showing that rigs saw a 7th drop in the last 8 weeks—to 114 rigs, down -48 rigs or -30% vs 2022 and the lowest since January 21, 2022. Yet, this has failed to show any meaningful impact on gas production which is holding near all-time highs. Prices still remain in contago relative to the front month which will limit the short-term upside potential unless we see more evidence of production constraints next week.

Outlook:

Prices are likely to remain on higher end as the OPEC+ cuts that started out as seemingly a move to defend a $70 floor and now, the upside in crude prices could last in the interim with OPEC likely to make more rumblings to try and keep prices above $80 by any means.

Technical Outlook

CRUDEOIL

After witnessing volatile sessions, Crude oil prices settled with the gains of 2.50% in the month of August. After recording the low of Rs.6425, prices recovered sharply and gained momentum on the higher side towards the end of the month. After forming a base at 100 EMA (Exponential Moving Average) on weekly chart, Crude Oil prices have rallied sharply in last two months. The 14-period RSI on weekly chart has crossed the 60 mark which signals strength in bullish momentum for the medium term. Prices have closed decisively at the multi-week highs. The next leg of rally is likely to push prices towards Rs.7600 and then head towards Rs.7800 levels. The key support is now observed at Rs.6400 level for the medium term. Buy on dips is suggested in the counter as long as key support is not breached on closing basis.

NATURALGAS

MCX Natural Gas prices gained by more than 6% throughout the month of August. Prices recorded the high of Rs.249 at the start of the month On weekly chart, prices were able to hold the support of upward sloping trendline on closing basis which was observed at Rs.203 level. The 14-period RSI has climbed near 60 mark which signals that counter is gaining strength in momentum on the higher side. The key immediate resistance is observed at Rs.237 level on closing basis. A decisive break above this level could trigger the next leg of rally which is likely to push prices towards Rs.250 and head towards Rs.265 levels. Buy on dips is suggested in the counter as long as prices are not breaking below Rs.200 level on closing basis.

Monthly Monetary Policy Update

Monetary Policy Update

Central Bank	RBI	FED	BOJ	BOE	ECB
Date of Policy	10th August 2023	26th July 2023	28th July 2023	3rd August 2023	27th July 2023
Next Policy meet	4th-6th October, 2023	20th Sept 2023	22nd Sept 2023	21st September 2023	14th Sept 2023
Total rate hike announced (bps)	250	525	-	515	425
Current Interest rate (%)	6.50%	5.25-5.50%	-0.10%	5.25%	4.25%
Stance	Cautiously Hawkish	Hawkish	Cautiously Hawkish	Hawkish	Hawkish
Key highlights of the meeting	• RBI's MPC kept repo rate unchanged at 6.50% for the third time consecutively • Focus on withdrawal of accommodation stance to be continued •Inflation was expected to be higher in July-Aug • Indian banks are required to maintain a 10% incremental cash reserve ratio (ICRR)	• Fed increased rates as per market expectations by 25 bps • Fed staff stated that they no longer expect a recession in the US • The Committee seeks to achieve its long term goal of 2% inflation • Fed also cautioned the market, as they reiterated in their comments that they will be "data- dependent" from here on	• BOJ kept the policy unchanged, continuing monetary easing •The BOJ will offer to purchase 10-year at 1.0% yield, instead of 0.50% • The bank will aim to achieve the price stability target of 2%	• BOE raised rates by 25 bps • The labour remains tight but there are a few indications showing signs of loosening •The MPC would continue to monitor signs of inflationary pressures, including tightness in labour markets and service price inflation.	• ECB raised interest rates by 25 bps • Lagarde pointed out that some long term inflation indicators remain elevated and require close monitoring • Further policy rate decisions will continue to be based on incoming financial and economic data, maintaining a "data- dependent" approach
Forecasts	• FY '24 GDP forecast seen at 6.5% • Economic growth was revised higher to 7% from 6.8% • CPI Inflation FY 24 forecast raised to 5.4% from 5.1% previously	• FY '23 Core PCE forecast at 3.9% vs. 3.6% previously • Federal Funds rate forecast at 5.6% vs. 5.1% previously • Unemployment forecast lowered to 4.1% from 4.5% previously.	• FY'23 GDP forecast 1.4% v/s 1.7% previously • Q3/23 Unemployment rate forecast at 2.6% • Q3/23 core CPI forecast at 2.9%	• GDP is expected to grow at 0.5% in '23 and '24. • CPI- Q4'22: 10.9%; Q4'23: -5.9% • Unemployment Rate- Q4'22: 3.7%; Q4'23: 4.7%	• Headline Inflation is expected to average to 5.4% in '23, 3% in '24 and 2.2% in '25. •Core CPI is expected at 5.1% in'23, 3% in '24 and 2.3% in 2025.
Currency Impacted	USDINR(₹)	Dollar Index($)	USDJPY(¥)	GBPUSD(£)	EURUSD(€)
Impact on Currency	Positive	Positive	Positive	Positive	Positive
Impact on Gold	Neutral	Negative	Neutral	Neutral	Neutral

Events Calendar – September 2023

Monday	Tuesday	Wednesday	Thursday	Friday
	5 Caixin Services PMI (Aug) CNY S&P India Services PMI (Aug) INR Eurozone Services PMI (Aug) EUR UK Composite PMI (Aug) GBP UK Services PMI (Aug) GBP Factory Orders (MoM) (Jul) USD ECB's De Guindos Speaks EUR	6 Construction PMI(Aug)GBP Trade Balance (Jul) USD Services PMI (Aug) USD ISM Non-Mfg. PMI (Aug) USD	7 Trade Balance (Aug) CNY Halifax House Price Index (MoM) (Aug) GBP GDP (YoY) p GDP (QoQ) (Q2) EUR Initial Jobless Claims USD Jobless Claims USD Nonfarm Productivity (QoQ) USD	8 Fed's Balance Sheet USD FOMC Member Bowman GDP (QoQ) (Q2) JPY German CPI (MoM) (Aug) EUR FX Reserves, USD INR
11 No data	12 Average Earnings Index GBP Claimant Count Change (Aug) GBP Unemployment Rate (Jul) GBP ZEW Economic Sentiment (Sep) EUR OPEC Monthly Report USD CPI (YoY) (Aug) INR Industrial Production (YoY)	13 GDP (MoM) (Jul) GBP Mfg. Production (MoM) (Jul) GBP Industrial Production (MoM) (Jul) EUR Core CPI (YoY) (Aug) USD CPI (MoM) (Aug) USD	14 WPI Inflation (YoY) (Aug) INR ECB Interest Rate Decision EUR Core PPI (MoM) (Aug) USD Core Retail Sales (MoM) (Aug) USD PPI (MoM) (Aug) USD Retail Sales (MoM)	15 Trade Balance (Jul) EUR NY Empire State Mfg Index Industrial Production (MoM)
18 WPI Inflation (YoY) (Jul) INR	19 India - Ganesh Chaturthi Core CPI (YoY) (Aug) EUR Building Permits (Aug) USD Housing Starts (Aug) USD	20 CPI (YoY) (Aug) GBP Fed Interest Rate	21 BoE Interest Rate Decision (Sep) GBP Existing Home Sales USD Philadelphia Fed Mfg. Index USD	22 BoJ Interest Rate Decision JPY Retail Sales (MoM) (Aug) GBP Eurozone Mfg PMI (Sep) EUR Eurozone Services PMI (Sep) EUR S&P Global US Mfg. PMI (Sep) USD S&P Global Services PMI (Sep) USD
25 BOJ Core CPI y/yJPY German ifo Business ClimateEUR	26 CB Consumer ConfidenceUSD New Home SalesUSD Richmond Mfg. Index USD	27 Durable Goods Orders m/m USD	28 German Prelim CPI Spanish Flash CPI y/yEUR Final GDP q/qUSD Unemployment ClaimsUSD Pending Home Sales m/mUSD	29 Mfg PMI CNY Final GDP q/qGBP Core CPI Flash Estimate y/yEUR Core PCE Price Index m/mUSD

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