

# COMMODITY & CURRENCY

CANVAS



Monthly Report

*Nov, 2023 | Issue 92*

# Contents

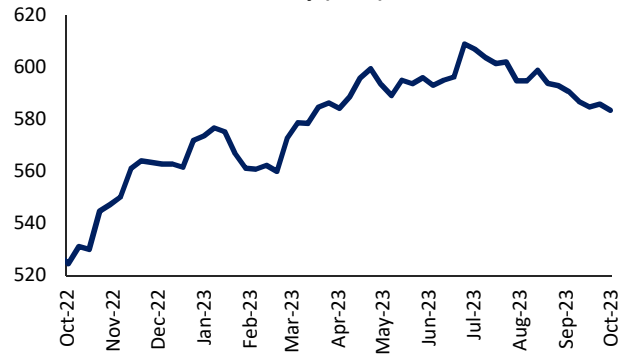
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## Currencies

### Fundamental Outlook

Rupee continued to trade in a narrow range for the last six weeks and volatility has been confined to the range of 82.80 and 83.50 despite uncertainty on the global front, broader strength in the dollar against its major crosses and heightened geopolitical tensions and FII funds outflow on the domestic front. On the domestic front, in the last couple of months' fund outflow from the FIIs has been to the tune of over \$3 billion from the Equity segment. Volatility for rupee is curtailed by active RBI intervention and latest data showed reserves currently stand at \$583.5 billion down for the week ended 20th October. On the domestic front, inflation has been in control, but widening trade deficit is disturbing the overall market sentiment. Dollar strengthened on back of safe haven buying following better-than-expected economic number and higher US treasuries. The Fed released its policy statement and decided to take a pause on raising rates for the second successive meeting. The dollar gained post the release of the policy statement and could extend gains if economic numbers released from the US also come in better-than-estimates.

India Forex Reserves Weekly (\$bln)

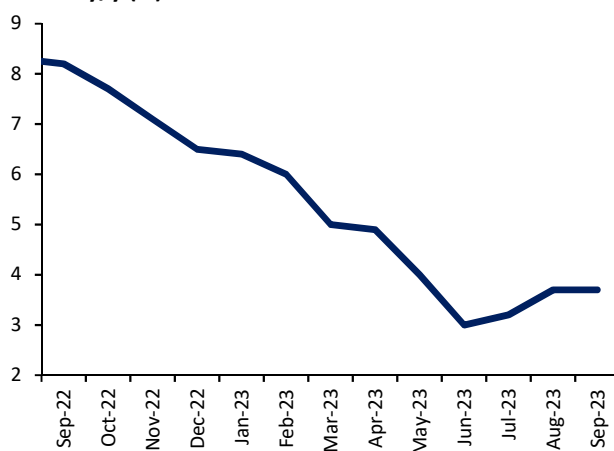


Source: Reuters

This month, on the domestic front, inflation number will be important to watch as global crude oil prices have retraced sharply in the last few weeks. From the inflation number, market participants will be taking cues on what could be the stance of the RBI governor at the coming meeting. On the global front, after the FOMC policy statement, economic numbers from the US will be guiding the currency that has been stable for quite some time now following active RBI intervention. We expect the USDINR (Spot) to trade sideways, but with a positive bias and quote in the range of 82.80 and 83.80.

### Global Currencies

US CPI y/y (%)



Source: Reuters

Dollar Index closed in the green for the third successive month following safe haven buying and better-than-expected economic number from the US. Volatility remained elevated as heightened geopolitical tension continued to keep market participants on the edge. The Fed released its policy statement and held rates unchanged for the second successive meeting, but kept open the possibility of further monetary tightening. The central bank could proceed carefully on future decisions amid signs that previous rate hikes will have an effect on the economy. US 10-year yields did retrace a bit after rallying to the highest level in 16-years and market participants are starting to discount that US interest

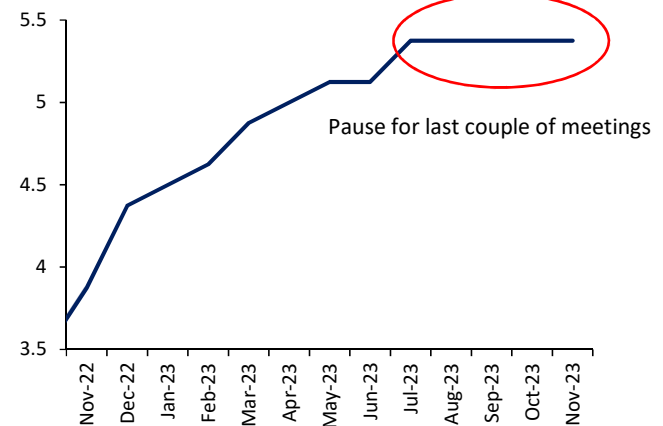
rates could be nearing its peak. Most economies until now have shown resilience in the face of higher rates, but until when this resilience remains is a question unanswered. It is not only the Fed, but also other central banks who remain data-dependent in their stance and this month too it will be the economic

numbers from the US that is likely to trigger volatility for the dollar that has gained by over 3% in this year. This month, inflation along with employment numbers will be important to watch. The Fed, who remained “aggressively” hawkish for one of the longest period turned “Less” hawkish in November and this could keep gains capped for the dollar.

Euro and Pound traded lower and broader strength in the dollar weighed on both these major crosses. Overall momentum has been sideways to negative for the last few months following weaker-than-expected economic numbers. The ECB governor

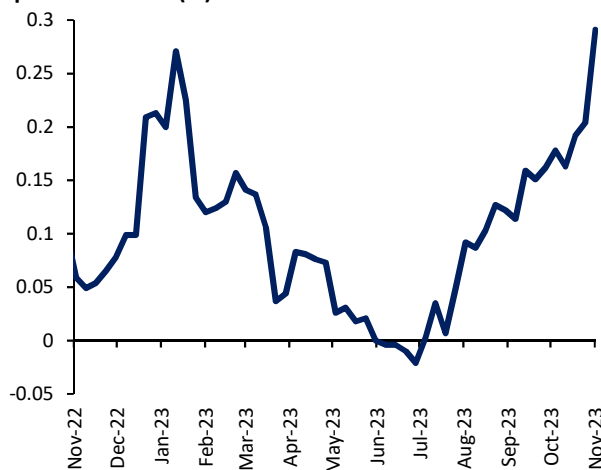
argued that the euro zone economy was weak, possibly weaker than predicted last month, but that price pressures remained strong and could be aggravated further if the Middle East conflict drives energy costs up again. The bank of England held rates unchanged. The BoE added that it will keep monetary policy restrictive only for long enough to “squeeze inflation out of the system”. This month, from the Euro zone ECB meeting minutes will be important to watch as market will be waiting for cues after ending an unprecedented streak of 10 consecutive rate hikes. Price pressures are finally easing and inflation has more than halved in a year, while the economy has slowed so much that a recession may be under way, making further hikes unlikely. Broadly, we expect the Euro and pound to trade marginally negative against the US dollar.

Fed's Target Rate (%)



Source: Reuters

Japan 10YR Yield (%)



Source: Reuters

Japanese Yen too traded in a broad range and volatility remained low ahead of the Bank of Japan policy statement. The central bank further loosened its grip on long-term interest rates by tweaking its bond yield control policy again, taking another small step towards dismantling its controversial monetary stimulus of the past decade. BoJ said it would keep the 10-year government bond yield around 0% set under its YCC, but re-defined 1.0% as a loose “upper bound” rather than a rigid cap. Overall, we expect the USDJPY to trade with a positive bias and quote in the range of 149 and 151.50.

## Technical Outlook

### USDINR

USDINR traded in a relatively higher but narrow band between 82.90-83.45 levels in October before closing the month around 83.30 mark – up by about 0.2% for the period. The pair had found support near 81.70 mark earlier in July and has been holding higher since then. Looking ahead, short-term consolidation between immediate support at 82.70-82.50 and key resistance near life-time high of 83.50-83.55 zone looks possible as the RBI is persistently defending this level currently. Meanwhile, medium-term bias remains positive as long as the pair holds above 81.70 on closing basis. Buying on major dips towards immediate support band is advised targeting 83.75-83.80 followed by 84.30 level. The bias would negate only on sustained breach of strong support at 81.70 mark.

### EURINR

EURINR expectedly traded in a relatively lower range last month. The pair consolidated between immediate support at 87.60 and stiff short-term resistance around 89.30 before closing almost flat for the period near 88.80 mark. More importantly gains were capped and any major pullback rallies higher were sold into indicating continued weakness in the trend. Looking ahead, short-term bias remains corrective below immediate resistance at 89.30-89.70 zone and sustained break below 87.60 could extend the correction towards lower support at 86.90-86.50 zone. Selling on rise is thus advised from a short-term horizon. Stiff higher resistance is at 90.50-90.70 range while strong lower support is at 85.80 mark.

### GBPINR

GBPINR too traded in a lower range last month as it cracked sharply towards a fresh 7-month trough near the target area of 100.30 before closing around 101.60 mark – still down by about 0.40% for the period. This move followed the near 2.7% decline seen earlier in September. Looking ahead, short-term bias remains corrective below resistance at 102.90-103.40 zone and an extended fall towards lower supports at 99.70-99.20 levels looks possible. Selling on rise is thus advised. Meanwhile, higher resistances are seen at 104.70-105.20 levels.

### JPYINR

JPYINR continued its correction in October as it tested an almost 11-month low near 55.25 before closing near 55.60 mark – down by about 1.15% for the period, following up on the 1.6% fall witnessed earlier in September. Looking ahead, short-term bias remains corrective as long as the pair holds below immediate (trendline) resistance at 56.50 and test of key support area at 54.80-54.60 (November 2022 low) looks possible. Selling on rise is thus advised for the short-term. Meanwhile, short-covering move is likely only on sustained break and close above 56.50 mark. Higher resistance is at 57.40-57.90 levels.

## EURUSD

EURUSD extended its correction into October as it fell and closed at a fresh 7-month low below 1.06 mark. The pair had earlier rallied to a 15-month peak near 1.127 in July but has been correcting sharply since then. Looking ahead, current correction is likely to extend lower as long as the pair holds below 1.0850-1.0910 zone. Selling on rise is thus advised targeting 1.0420-1.0330 levels. Meanwhile, stiff higher resistances are seen at 1.0970-1.1050 levels while strong lower support is at 1.010 mark.

## GBPUSD

GBPUSD continued to trade choppily albeit in a lower range in October. It initially tested a fresh 7-month trough near 1.2030 before recovering sharply towards 1.2320 mark. However, it failed to hold higher and eventually closed marginally lower for the last month near 1.22 mark. This was on the back of a huge 3.3% decline earlier in September. Looking ahead, short-term bias remains corrective below immediate stiff resistance at 1.2450 and test of lower supports at 1.2030-1.19 levels looks likely. Selling on rise is thus advised. Meanwhile, strong higher resistance remains at 1.2650 level.

## USDJPY

USDJPY expectedly traded in a higher range in October as it stretched its upside rally for another month. The pair closed towards the highest level since November 2022 near 151 mark after it broke out of stiff resistance near 147 mark earlier. Looking ahead, short-term bias remains positive above support at 147 level and current rally could extend higher towards 153.50 followed by 155 level. Buying on dips is advised. Strong lower supports are seen at 145.50-143.30 levels.

## DOLLAR Index

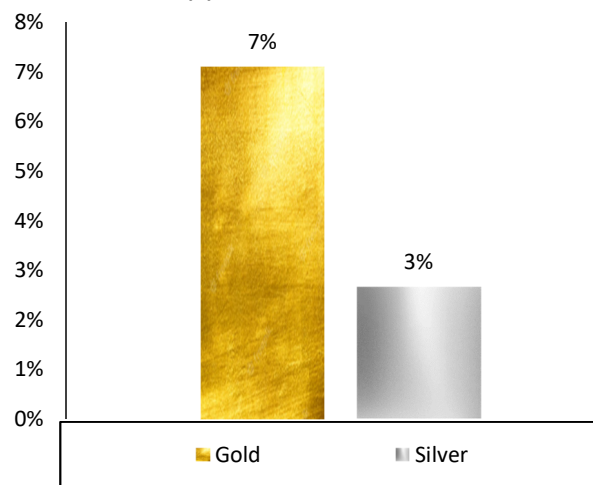
Dollar Index added to its biggest monthly gain since May 2023 as it traded in a higher but choppy range in October. This came after it broke out of resistance near 102.80 level earlier in mid-August. The pair tested an 11-month peak near 107.35 before closing around 106.70 mark – higher by about 0.4% for the period. Looking ahead, short-term bias remains positive above important support at 104.80-104.10 zone and current rally is likely to extend higher towards 107.90-108.10 range (November 2022 peak). Meanwhile, the medium-term bias would turn negative only on sustained break below 102.80 mark. Lower support is around 100.50-100.20 zone.

## Precious Metals

### Fundamental Outlook

Gold price marked one of the best months since May on back of a black swan event, which suddenly hit the market creating an unrest. Amidst a few important events and updates, sharp whipsaws were seen in both Gold and Silver prices, ending the month on positive note. From a low of ~₹56,000 a sharp reversal towards the high of over ~₹61,000 was seen; similarly, Silver traded in a range of ~₹8,000, giving opportunity to both bulls and bears, to participate in the volatility. Comments and interest rate hike expectations from major central banks and better than expected economic data points from the US provided volatility in the market. One of the major trigger for Commodities in previous month was rise in Geo-political tensions - sudden rise in dispute between Israel and Palestine took the market by a storm.

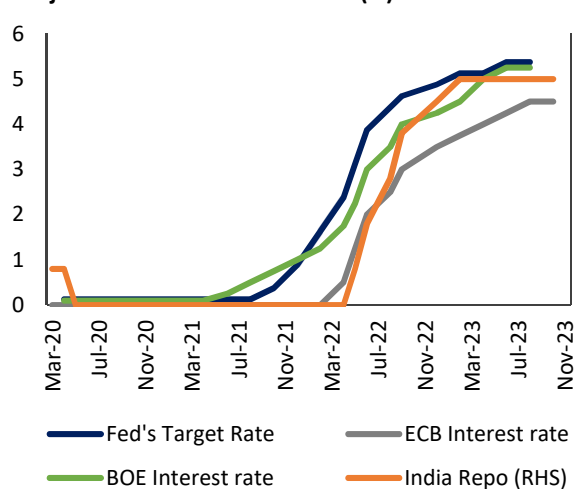
**Gold and Silver (₹) Oct Returns**



Source: Reuters

Dollar Index and US Yields were also responsible for providing triggers to the safe haven asset. One more rate hike expectation by the end of this year and 'higher for longer' dialogue supported an up-move in both. Dollar Index was volatile in a range of 105.50 and 107; on other hand, US Yields briefly breached the 5% mark for first time in 16 years, increasing swings in the bond market.

**Major Economies Interest Rates (%)**



Source: Reuters

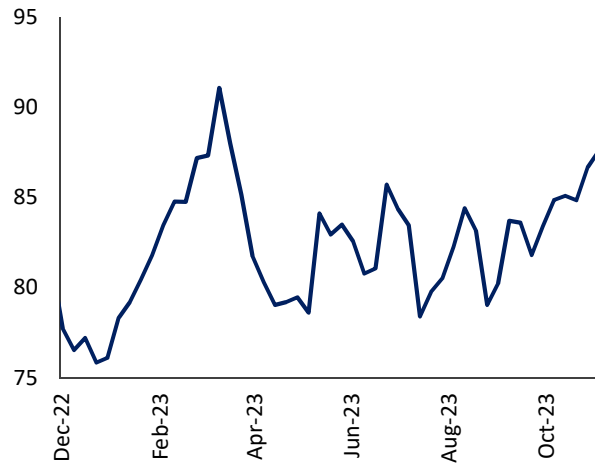
Uncertainty in Middle East has led to surge in Gold and Silver prices, Hamas group took Israel by surprise and launched multiple rockets, attacking a few public gatherings and events in Israel; within a day, the latter retaliated aggressively with air strikes and bombarded Gaza. Initially, market participants initially expected that this decade's long dispute will ease off soon, but now, with suspected intervention from neighbouring countries like Jordan, Syria, Egypt, Iran, it is taking an aggressive shape. Market participants are now watching what steps major economies could consider taking and how much this dispute could escalate a question that remains unanswered.

Central Banks policy statements since the last two years, have been extremely important for any triggers in the Commodity or Currency segment. In just this year, Fed has raised rates by 1% and announced three pauses with Fed funds range currently at 525 – 550. In the recent Fed meeting, US central bank kept their rate unchanged while Governor Powell gave out mixed comments, as on one end he mentioned that Fed could continue to take measures to achieve their 2% inflation target rate while on the other, he raised

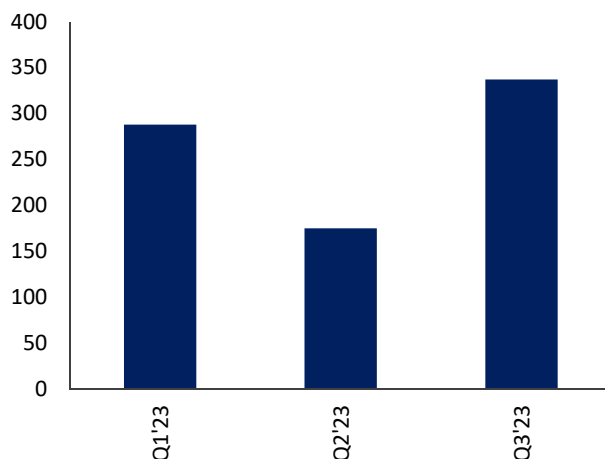


concerns regarding the financial health of economy. In last few meetings, probability changes, for rate hikes in this year and rate cuts for next year has triggered a lot of volatility in safe haven assets. Other major central banks like ECB, BOE area also in a mix, as maintain a balance between inflation and growth has now become very critical.

Move in industrial metals have also been quite interesting, as along with the move in Dollar Index, development in Chinese economy has triggered sharp swings in metal prices. PBoC is trying their best to support economy and have announced several stimulus measures for property sector and overall economy; however, the debt-ridden developers are increasing trouble for the same. This situation can also be seen in their economic data points, which are being reported weaker than expectations, weighing on silver prices as well. Gold/silver ratio has also seen sharp swings as with Silver, Gold also picked up pace, after the geo-political tensions, the ratio moved in a broad range of 80 – 86.

**Gold/Silver ratio**

Source: Reuters

**Net Central Banks Buying in 2023 (Tonnes)**

Source: WGC

Recent report from WGC suggest that, global gold ETFs sustained a sixth consecutive quarter of outflows in Q3; holdings fell by 139t although this at least an improvement from the hefty 244t outflows seen in Q3'22. Overall bar and coin demand has also fallen however; central banks gold buying spree has kept the things floating boosting the sentiments higher. Major central banks globally have bought an astonishing net 800t, 14% higher than the same period last year, providing support to the whole demand side story.

### Outlook:

The festive month, November will be important, as economic data points, comments from central bank officials, demand trends and escalation in geo-political tensions will be important to keep an eye on. Monitoring data points like inflation, PMI, jobs, will be important as it could show the overall health of the economy. Along with central banks gold buying spree, physical gold demand trends could boost the market sentiment in the Festive season. Any further statement supporting the recent comments from Governor Powell regarding 'pause for longer' could support bullions and weigh on Dollar Index and US Yields. Updates regarding development in Chinese economy and the move in Industrial metals will be important for silver prices. Along with fed's comments, further Fed's monetary policy path and escalation in Israel-Hamas dispute could be a deciding factor for bullions, we could witness dips, which could be used as an accumulation zone for both Gold and Silver prices.



## Technical Outlook

### GOLD

In October, gold surged significantly by 3,300 rupees, equivalent to a robust 5.80% gain. This marked the most substantial monthly increase seen in the past six months. Notably, this impressive upward trajectory effectively reversed the downward movement observed over the preceding two months.

Gold prices had been caught in a sideways to lower trading range since May until the beginning of October, during which it declined from 61,845 rupees to 56,421 rupees. This price action formed a descending wedge pattern, and prices have now successfully broken out above the upper boundary of this wedge. Currently, prices have reached approximately 65% of the anticipated target of Rs. 62,500 as per the falling wedge pattern formation.

There is a possibility that prices might make an attempt to retest the breakout level, potentially causing a dip to around 59,500 rupees. This could present an attractive buying opportunity for those aiming for the expected target of 62,500 rupees. It's worth noting that a key support level exists at 58,200 rupees, which may serve as an appropriate stop loss.

### SILVER

In October, silver gained by over 1,800 rupees, marking a 2.60% increase. This uptick was particularly significant as silver had hit a seven-month low in the month of October and concluded the month on a positive note.

Silver had been trading in a range between Rs. 77,000 and 67,000 rupees since April 2023. Recently, prices have rebounded from the lower end of this range. Any price declines toward the Rs. 69,500 level may present a favourable buying opportunity, with a stop loss set at Rs. 67,000. The target to aim for in this scenario would be Rs. 75,000.

### BULLDEX

In October, Bulldex saw a significant uptick, with a gain of more than 750 points, a robust 5.00% increase. This positive movement followed a sharp decline over the preceding two months. Projections suggest that prices are poised for further rise, and it is recommended to consider buying on dips near 15,600, with a prudent stop loss set at 15,200. The expected target is 16,300.

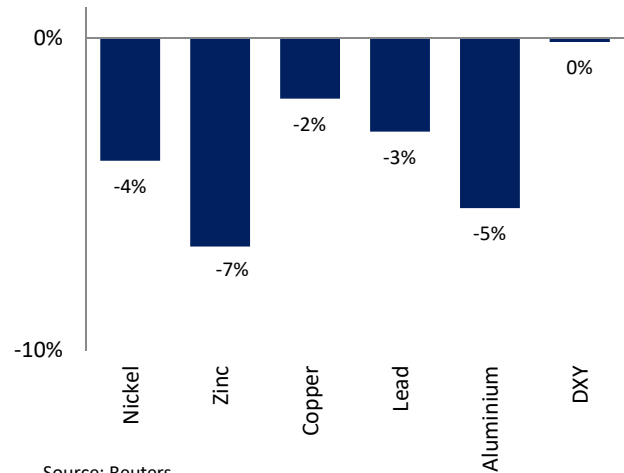
## Base Metals

### Fundamental Outlook

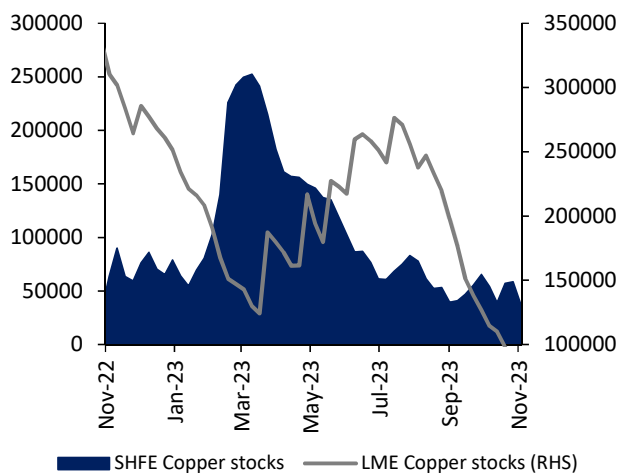
Metals started the month on a positive note, but immediately started to feel the pressure with rise in non-risky assets and strength in DXY towards 106 and above, pressurising industrial metals. Copper has been hovering around \$8000 over the last few weeks with choppiness led by some upbeat signs of recovery in China and as speculators reacted to bullish short-term technical signals. What was a pretty tough month has somewhat mitigated by those announcements from China.

The global refined **copper** market showed a 33,000 metric tons deficit in August, up from 30,000 metric tons in July. However, the overall balance for the first eight months of the year remained in surplus, in contrast to the previous year's deficit. World refined copper output in August was 2.25 million metric tons, slightly below consumption at 2.28 million metric tons. Chinese copper cathode production in September increased by 2.3% MoM and 11.3% YoY, reflecting continued growth.

MTD change in LME metals



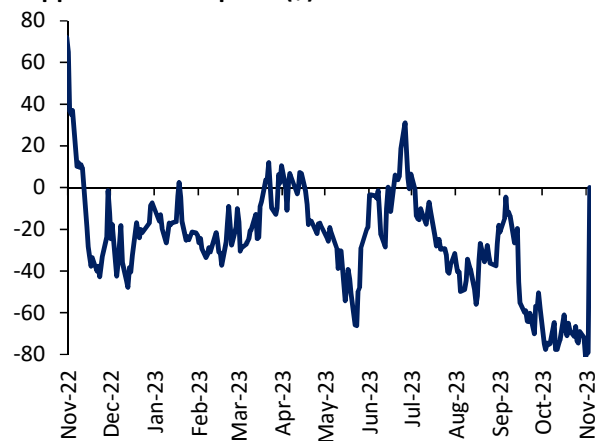
Copper LME and SHFE Stocks



A recent decline in LME and Shanghai copper stocks was helping to offset concern about the Chinese data. October saw less demand for refined copper in China compared with September, moving the market to a slight surplus. The copper market has also moved into a wide contango, typically because consumption is weak. Tension in the Middle East and rising stocks have also been weighing on the prices. Fears that the Israel-Hamas war could mushroom into a wider Middle East conflict, with US warning of a significant risk to U.S. interests in the region as ally Israel pounded Gaza and clashes on its border with Lebanon intensified.

US GDP rose 4.9% in Q3 2023, recording the strongest increase since the last quarter of 2021 despite a long stretch of interest rate increases. China has grown at 4.9% in Q3, the same pace as the US, and following a series of supportive measures such as relaxing property market curbs and cutting RRR is on track to grow by between 5.2% and 5.3% this year.

Elevated rates have been a drag on industrial metals consumption. If the U.S. rates stay higher for longer, this would lead to a stronger U.S. dollar and weaker investor sentiment, which in turn would translate to lower metals prices.

**Copper Cash-3M Spread(\$)**

Source: Reuters

aluminium production for September 2023 reached 3.523 million metric tons, up 5.5% YoY, with daily production averaging around 117,400 metric tons.

**Aluminium** smelters in Southwest China's Yunnan province, which accounts for 11% of China's aluminium output, have been required by the government to reduce their operating rates due to hydropower shortages in the drought-stricken province. The smelters have been ordered to reduce the use of electricity by 15% to 30% from last week, which is expected to cut 800,000 tonnes to 1.6 million tonnes of aluminium production capacity. The output reductions in Yunnan come after Sichuan smelters cut 920,000 tonnes of capacity in August, accounting for 2% of China's total.

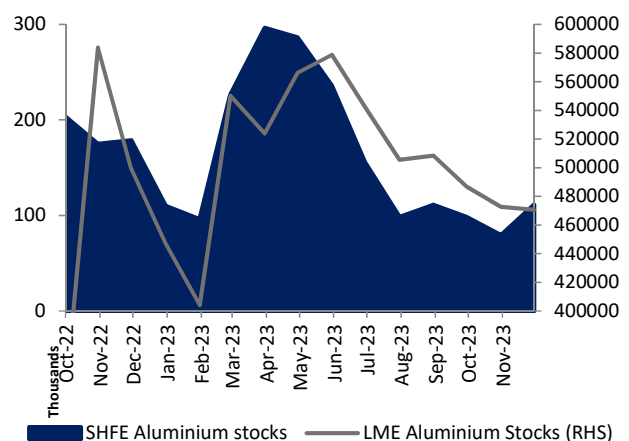
Stocks of aluminium in LME warehouses at 480,250 tons have dropped nearly 20% since early June. Cancelled warrants or metal earmarked for delivery at 57% of total stocks suggests more aluminium is due to leave the LME system. Concern about availability on the LME is why the discount of cash over the three-month aluminium contracts has narrowed to around \$16 a ton from levels above \$50 a ton in the middle of August. While no significant capacity growth is expected in the Chinese aluminium market, as it nears its peak capacity, demand continues to be robust which could be positive for prices.

**Zinc** prices traded flat for much of the month due to slower-than-expected demand growth. There is an evident tug of war visible at the LME warehouse with rapid deposits and withdrawals of inventories, which has also been swinging the cash-3M spread. Prices did start on a positive note for the month, but riskiest assets witnessed a drop followed by a consolidation.

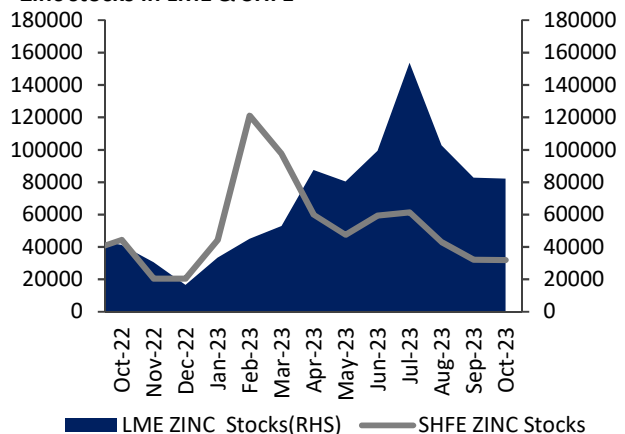
Global zinc market surplus widened significantly in August to 22,000 metric tons from 2,900 tons the previous month as per the ILZSG. For the first eight months of the year, the global surplus reached 489,000 tons, surpassing last year's surplus of 156,000 tons during the same period. The global refined zinc market is expected to be in a surplus of

Just like other metals aluminium has also been consolidating at lows, and could be forming a base over the last few weeks gearing up for some positive momentum. Stocks of aluminium in LME warehouses have decreased by nearly 20% since June, with a significant portion earmarked for delivery. Higher aluminium prices are influenced by substantial holdings of aluminium warrants, contributing to a narrower cash-aluminium contract discount.

Global primary aluminium output in September increased by 2.7% YoY, reaching 5.871 million tonnes, as per the IAI. China's aluminium production also rose by 5.3% in September and by 3.3% for the first nine months of the year. China's domestic

**Aluminium LME and SHFE stocks**

Source: Reuters

**Zinc stocks in LME & SHFE**

Source: Reuters

248,000 tons in 2023, as per the ILZSG, flipping its forecast from a deficit of 45,000 tons previously.

The IMF expects China's economy to grow by 5.0% this year, down from 5.2% in previous forecasts, while expecting a 4.2% growth rate in 2024. The IMF believes that China continues to struggle with the fallout of the COVID-19 pandemic and the extreme measures taken to contain it.

Nyrstar's decision to temporarily close two zinc mines in Tennessee, citing weak prices and inflationary pressures, underscores the challenges faced by the zinc market. Although the production from these mines in the larger picture is not much, but could be used to drive some positive sentiments. Overall buy on dip could be the undertone for zinc in the medium term.

U.S. government bond yields are on a tear and up at 5% for the first time since 2007, hit wider financial markets including metals as investors feared interest rates would have to remain high to curb stubborn inflation. Overall metals have been weak, but last couple of weeks of consolidation gives an indication that weakness could have been overplayed and some bounce back could be on cards. Now has it bottomed or is it just a pullback after the fall is still hazy, but major weakness from here looks unlikely.

## Technical Outlook

### COPPER

MCX Copper witnessed volatile sessions throughout the month of October where prices recorded the high of 714.30 and low of 689.50 levels. Prices settled the month with loss of 2%. On the weekly chart, prices have set up a bullish reversal pattern featuring a hammer candle at the historical support mark of Rs.690. Prices are also advancing in an ascending triangle pattern on the weekly chart. The lower bound of the trend line is acting as a strong support which is placed near Rs.690 level. The 14-period RSI on daily chart has crossed the mid-level of 50 mark which signals that momentum is picking up on the higher side for short to medium term. The next leg of rally is likely to push prices toward Rs.730 level. However, a decisive break above this level is likely to push prices further higher towards Rs. 745 level. Buy on dips is suggested in the counter for the coming month. However, our view will be negated if prices decisively break below Rs.690 level.

### ZINC

MCX Zinc prices recorded a high of Rs.227.50 at the start of the month of October but gave up the gains and fell to the lows of Rs.217.30 in the middle of the month. Prices settled with loss of more than 5%. Zinc prices have managed to hold the key support of Rs.208 level on sustainable basis and it is likely to pick up the momentum on the higher side in current month. Prices have taken support at the lower bound of upward sloping channel on the weekly chart in the month of August and making a series of a higher low thereafter in the month of October. It is ready for a decent upside in the medium term. The key resistance is now observed at Rs.227 level. A decisive break above this level is likely to push prices towards Rs.235 level and further extend the rally towards the critical resistance of Rs. 244 level. Buy on dips is suggested in the counter going forward as long as key support of Rs.208 is not breached on closing basis.

### ALUMINIUM

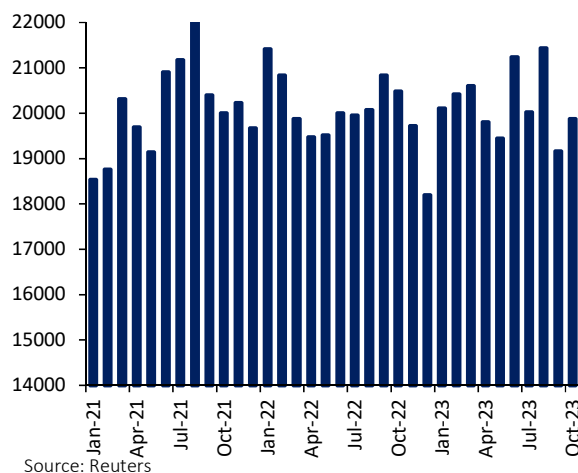
MCX Aluminium prices dropped by approximately 2.50% in October. It has formed a bullish engulfing pattern on the weekly chart at confluence of support indicating a potential bullish reversal as buying strength has overpowered selling pressure. The 14-period RSI on weekly chart has crossed the mid-level 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.209 level on closing basis. A decisive break above this level is likely to push prices towards Rs.213 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

Oil prices saw a turbulent month, as sentiments remained torn between worries about effect of high interest rates on oil consumption, and war premium in constant battle between Israel and Gaza brining choppiness. There remains no clear view on which one of these factors could have an upper hand. With the war's contagion fears subsiding, the economic concerns are again taking centre stage, sending prices

**US Total product Demand(kb/d)**



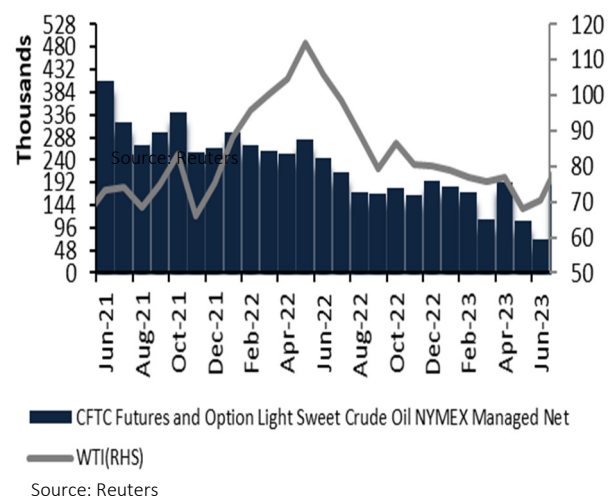
to their first monthly declines since May. Concerns also remains as stubborn inflation, higher borrowing costs along with elevated debt levels is showing signs of down beat mood within investor community. The spending trend are also inconsistent across demographics with lower income citizens feeling the pinch of higher prices and interest rates, thus casting a shadow on demand recovery worldwide. Prices also got pressurized by lacklustre demand arising as China manufacturing fell back into contraction along with oversupply fears back in product markets of gasoline and distillate.

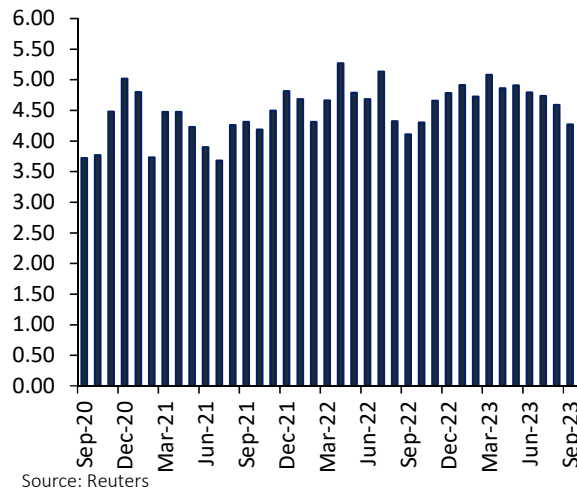
The main question remained whether or not this conflict will escalate further. Currently, the war spread between Israel and Gaza has had its move on energy prices, and any disruption going forward could be a huge push for the prices to rally. Currently, Middle East account for 1/3 rd of global crude supplies and there are concerns that any escalation will lead to attacks on oil tankers. The most important wild card is Iran and Iran is currently the main backer of Hamas and has potential to open up a second front in conflict. While Israeli Prime Minister Benjamin Netanyahu has so far rejected calls for a cease-fire to facilitate the release of captives, the Israeli military is employing a gradual strategy aimed at limiting its own casualties and heeding increasing concerns over the humanitarian crisis in Gaza.

In all this confusion, CFTC position indicate that Hedge fund remain net sellers for 4 weeks of the last five last month, thus selling 201 Million barrels of crude contracts since September as apparent calm settles over fund managers that this conflict will contain in Middle east with no real disruption to oil supply, thus putting pressure on the prices.

Moving back to fundamentals, WTI prompt spread is also showing signs of ease in supply risk as it has narrowed back to 50 cents in backwardation, down from \$2 spread a barrel at the end of September. Meanwhile, when it comes to Russia, don't look at what they say, but what they do as the loadings from Russian ports on the Black and Baltic Seas, including some batches originating in Belarus, with the most recent week's observed shipments as high as 360,000 Bdp above target, exceeding the country's targeted export reduction as part of OPEC+ commitments. That's 56% above the October plan and Russia's highest planned exports in three months. The same picture was observed

**WTI price and CFTC Net position**



**India Oil imports(Mbpd)**

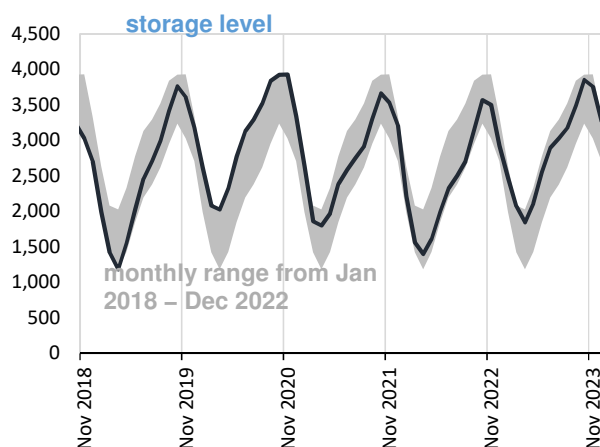
Source: Reuters

with OPEC oil output has risen for a third straight month in October led by increases in Nigeria and Angola and despite ongoing cuts by Saudi Arabia and other members of the wider OPEC+ alliance to support the market. However, on demand side, things are improving with data from JODI suggesting that Oil demand rebounded in August to record seasonal highs. The m/m increase was driven by China, Indonesia, US, and Saudi Arabia.

For India, the buying appetite is back as India amid end of autumn maintenance and the gradual ramp-up in Indian refinery runs and there are expectations for India to buy between 1.5 Mbpd

and 1.7 mbpd, moving back to levels last seen around March. However, Prices for Russian oil aren't as cheap as they used to be with discounts on Russian oil have fallen considerably, and currently, India is getting supplies at \$4 cheaper than Brent prices. India, meanwhile, has also turned back to Iraq and bought 916,690 bpd from the Gulf country, which was once its largest oil supplier. India's purchases of Saudi Arabian crude are down to around 556,185 bpd.

Natural gas prices ended last month on positive note, with prices gaining the most since June as expectations build over cold weather forecast which supported gas prices. Gas flows to the 7 biggest U.S. LNG export plants rose to 13.7 Bcfd so far in October, up from 12.6 Bcfd in September but still below the monthly high of 14.0 Bcfd seen in April. U.S. is on its way to become the world's biggest LNG supplier in 2023, surpassing Australia and Qatar. However, headwinds remain as Lower 48 U.S. states rose to an average of 104.1 Bcfd so far in Oct, up from 102.6 bcf in September and a record high of 103.1 bcf in July.

**U.S. working natural gas in storage (Bcft)**

Source: Reuters

Pipeline exports to Mexico slid to an average of 6.8 bcf so far in October, down from a monthly record high of 7.2 bcf in September. However, the exports are expected to revive next month once U.S. energy company New Fortress Energy's plant in Altamira starts pulling in U.S. gas to turn into liquefied natural gas (LNG) for export in November. On inventory front, Working gas in storage ended at 3,700 Bcf with inventories staying at 313 Bcf higher than last year at this time and 183 Bcf above the five-year average of 3,517 Bcf. At 3,700 Bcf, total working gas is within the five-year historical range.

## Outlook:

Oil price momentum has fizzled out with the risk premium that jumped following Israel's ground incursion into Gaza. For next month, prices are expected to stay sideways till markets get a clarity about the geo political uncertainty about any escalation in Middle East that can push prices higher.

## Technical Outlook

### CRUDEOIL


Crude Oil started the month of October on a negative note where prices posted losses of 9% in the first week. Prices recorded the high of Rs. 7528 and low of Rs. 6770 throughout the month and settled with monthly losses of 10%. On weekly chart, prices have lost momentum on the higher side since last few weeks. Prices are hovering near 20 weeks moving average which is observed at Rs. 6800 level. A decisive weekly close below this level is likely to drag prices further lower towards Rs. 6400 level in the medium term. The key resistance is now placed at Rs. 7200 after which Rs. 7550 will act as critical resistance for the counter. The 14-period RSI on weekly chart has fallen near 50 mark which signals that prices are likely to consolidate on the lower side. Sell on rise is suggested in the counter as long as these levels are not breached on the higher side.

### NATURALGAS

MCX Natural Gas prices witnessed robust momentum in the month of October where prices recorded the high of Rs. 304 and low of 235.60 to settle with monthly gains of 22%. On daily chart, Natural Gas prices have breached above the resistance of upward sloping channel. On weekly chart, the 14-period RSI has crossed above 60 mark which signals strength in momentum on the higher side. The critical resistance is observed at Rs. 308 which is 100 EMA (Exponential Moving Average) on weekly chart. A decisive break above this level is likely to push prices towards Rs. 340 and Rs. 350 level. Key support is now observed at Rs. 275 level after which Rs. 252 will act as critical support. Buy on dips is suggested in the counter as long as these levels are not breached decisively.



## Monthly Monetary Policy Update

Monetary Policy Update					
					
Central Bank	RBI	FED	BOJ	BOE	ECB
Date of Policy	6th October, 2023	1st November, 2023	31st October 2023	2nd November, 2023	26th October, 2023
Next Policy meet	8th December, 2023	12th-13th December, 2023	December 19th, 2023	14th December, 2023	14th December, 2023
Total rate hike announced (bps)	250	525	-	515	450
Current Interest rate (%)	6.50%	5.25%- 5.5%	-0.10%	5.25%	4.50%
Stance	Cautiously Hawkish	Dovish	Cautiously Hawkish	Dovish	Hawkish Pause
Key highlights of the meeting	<ul style="list-style-type: none"> <li>RBI's MPC kept repo rate unchanged at 6.50% for the fourth time consecutively</li> <li>Focus on withdrawal of accommodation stance to be continued</li> <li>RBI may carry out further OMO sales of G-sec to manage liquidity</li> <li>The ICRR was discontinued in a phased manner for money markets to function systematically</li> </ul>	<ul style="list-style-type: none"> <li>The Fed decided to leave interest rates unchanged</li> <li>In light of higher treasury yields, tighter credit and financial conditions weight on growth</li> <li>In determining the extent of additional policy firming that may be appropriate to return inflation to 2 percent over time.</li> </ul>	<ul style="list-style-type: none"> <li>BOJ kept the policy unchanged, continuing monetary easing</li> <li>The BoJ widens the band around the 10 Year JGB Yield target at +/- 1% from the previous 0.5% cap</li> <li>Japan's economy is likely to continue recovering moderately</li> </ul>	<ul style="list-style-type: none"> <li>The BoE decided to leave interest rates unchanged at 15-year high</li> <li>Since the Bank of England's last economic projections, inflation has weakened, economic activity has softened and the labor market has shown signs of loosening</li> <li>The monetary policy will need to be "sufficiently restrictive for sufficiently long" to return inflation to the 2% target sustainably.</li> </ul>	<ul style="list-style-type: none"> <li>ECB paused an interest rate hike</li> <li>Lagarde mentioned that the central bank will continue to follow a data dependent approach</li> <li>Rates will remain at sufficiently restrictive levels for as long as needed</li> </ul>
Forecasts	<ul style="list-style-type: none"> <li>FY '24 GDP forecast seen at 6.5%</li> <li>Economic growth was revised higher to 7% from 6.8%</li> <li>CPI Inflation FY24 forecast seen at 5.4%</li> </ul>	<ul style="list-style-type: none"> <li>FY '24 GDP forecast seen at 6.5%</li> <li>Core PCE forecast for FY23 was lowered to 3.7% from 3.9% earlier</li> <li>Unemployment forecast was lowered to 3.8% from 4.1% earlier</li> </ul>	<ul style="list-style-type: none"> <li>FY'23 GDP forecast 1.4% v/s 1.7% previously</li> <li>Q3/23 Unemployment rate forecast at 2.6%</li> <li>Q3/23 core CPI forecast at 2.9%</li> </ul>	<ul style="list-style-type: none"> <li>GDP is expected to grow at 0.5% in '23 and '24.</li> <li>CPI- Q4'22: 10.9%; Q4'23: -5.9%</li> <li>Unemployment Rate- Q4'22: 3.7%; Q4'23: 4.7%</li> </ul>	<ul style="list-style-type: none"> <li>Headline Inflation is expected to average to 5.4% in '23, 3% in '24 and 2.2% in '25.</li> <li>Core CPI is expected at 5.1% in '23, 3% in '24 and 2.3% in 2025.</li> </ul>
Currency Impacted	USDINR(₹)	Dollar Index(\$)	USDJPY(¥)	GBPUSD(£)	EURUSD(€)
Impact on Currency	Positive	Negative	Positive	Negative	Positive
Impact on Gold	Neutral	Positive	Neutral	Neutral	Neutral

## Events Calendar – November 2023

Monday	Tuesday	Wednesday	Thursday	Friday
				<b>3</b> Services PMI CNY Final Services PMI UK Unemployment Rate EU Non-Farm Employment Change Final Services PMI US
<b>6</b> German Final Services PMI EU Final Services PMI EU Construction PMI UK	<b>7</b> Trade Balance US FOMC Member Barr Speaks US	<b>8</b> German Final CPI m/m EU Retail Sales m/m EU	<b>9</b> CPI y/y CNY Unemployment Claims US	<b>10</b> GDP UK Industrial Production UK
<b>13</b> No Data	<b>14</b> Claimant Count Change UK Unemployment Rate UK Flash GDP q/q EU Core CPI m/m US	<b>15</b> CPI y/y UK Core PPI m/m US Mfg. Index US Retail Sales m/m US	<b>16</b> Industrial Production y/y CNY Retail Sales y/y CNY Unemployment Rate CNY Unemployment Claims US Industrial Production m/m US	<b>17</b> Retail Sales m/m UK Final CPI y/y EU Building Permits US Existing Home Sales US
<b>20</b>	<b>21</b> Existing Home Sales US	<b>22</b> FOMC Meeting Minutes US National Core CPI y/y JP Unemployment Claims US Core Durable Goods Orders US	<b>23</b> German Flash Mfg. PMI Flash Mfg. PMI EU Flash Services PMI EU Flash Mfg. PMI UK	<b>24</b> Flash Mfg. PMI US Flash Services PMI US
<b>27</b> New Home Sales US	<b>28</b> CB Consumer Confidence US	<b>29</b> German Prelim CPI m/m EU Prelim GDP q/q US Goods Trade Balance US	<b>30</b> Mfg. PMI CNY CPI Estimate y/y EU Unemployment Rate EU Core PCE Price Index m/m Unemployment Claims US Pending Home Sales m/m	

## CORE TEAM

**Mr. Navneet Damani:** Head Research – Commodities and Currencies

**Mr. Gaurang Somaiya:** Analyst - Currency

**Ms. Shweta Shah:** Analyst - Energy

**Mr. Manav Modi:** Analyst - Bullion

**Mr. Amit Sajeja:** Sr. Technical Analyst

**Mr. Ashish Rajodiya:** Technical Analyst

**Mr. Vishal Singh:** Technical Analyst

**Mr. Durgesh Ugawekar:** Technical Analyst

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**Grievance Redressal Cell:**

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	<a href="mailto:query@motilaloswal.com">query@motilaloswal.com</a>
Ms. Kumud Upadhyay	022 40548082	<a href="mailto:servicehead@motilaloswal.com">servicehead@motilaloswal.com</a>
Mr. Ajay Menon	022 40548083	<a href="mailto:am@motilaloswal.com">am@motilaloswal.com</a>

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