

Commodity Morning View

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Commodities: Under pressure on rate cut uncertainty as the US government shutdown ends

Key Points

- Commodities concede ground on rate cut uncertainty
- US government shutdown ends
- The House voted 222-209 to pass interim funding through January 30.
- Congress will decide in December whether to extend COVID-19 pandemic-era tax credits
- White National Economic Director Kevin Hassett: October job report will not include unemployment rate.
- Fedspeak turns hawkish leading to a decline in the December Fed rate cut probability
- China's credit expansion slowed in October
- China's data disappointing

Commodities fall over rate cut uncertainty:

- Yesterday, most of the commodities, tumbled sharply lower from their respective intra-day highs on uncertainty over the December Fed rate cut as the US government shutdown ended.

Fed rate cut probability:

- The December Fed rate cut probability fell from 63% on November 12 to 47% on November 13 due to data uncertainty and hawkish Fedspeak.

US Government shutdown ends:

- Record US government shutdown ended after 43 days. The US President Trump signed legislation which will enable the US Government to resume normal operations and Federal workers are expected to be back on their jobs starting November 13, though full restart may take weeks/days.
- Impact of shutdown: As per Congressional Budget Office estimate, a six-week government shutdown would reduce real GDP growth in Q4 by 1.5%, though this loss may reverse in H1 2026 due to the impact of 'One Big Beautiful Bill Act' (OBBBA) as new tax cuts take effect.

Data roundup:

- China's data released today have been mostly disappointing. Retail sales (October) rose 2.9% y-o-y (forecast 2.7%, prior 3%), while industrial production at 4.9% y-o-y fell short of the estimate of 5.5% (prior 6.5%). Meanwhile, the fixed asset investment at -1.7% YTD lagged the forecast of -0.8% (prior -0.5%). Home prices slump deepened.
- Yesterday, White National Economic Director Kevin Hassett said that October job report will not include unemployment rate. He added that household survey will not be released either as some of the surveys were never actually completed. October CPI report will not be released.
- However, September data including nonfarm payroll, retail sales and personal income are likely to be released in the next few weeks along with Q3 GDP some of the October data.
- Lack of October CPI report means that the US Federal Reserve's job will become challenging when it meets on December 17-18 to decide on its monetary policy.
- China's M1 money growth slowed to an annual pace of 6.2% in October from 7.2% in September - credit expansion is the weakest in more than a year due to slower government bond sales and sluggish borrowing demand. Aggregate financing increased 815 billion yuan, the lowest level since July 2024, lagged the 1.2 trillion-yuan forecast by a wide margin.
- The UK economy in 3Q grew at annualized rate of 0.1% Vs the forecast of 0.2%, though a rebound is possible in Q4.

Fedspeak:

- The Fed Governor Miran said that the Fed should cut rate by minimum 25 bps in December.
- Susan Collins, president of the Federal Reserve Bank of Boston and Raphael Bostic, Atlanta Fed President Raphael, opposed rate cut in December due to resilient economy and elevated inflation.

Dollar Index and yields:

- The US Dollar Index fell nearly 0.26% to 99.24.
- US yields reversed their Wednesday's decline on hawkish Fedspeak leading rate cut uncertainty.

Gold: buy the dips

- ETF outflows and firm US yields are somewhat bearish for the metal in near-term.
- Gold is expected to consolidate its gains in short-term due to data uncertainty and weakness in the US bonds.
- Downside is expected to be limited on concerns about the US job market and expectations of Fed rate cut in December.
- Dip buying is preferred over chasing the rally.
- Support is at \$4160 /\$4100. The yellow metal needs to take out strong resistance around \$4260 to challenge the next major resistance of \$4381, all-time high.

Silver: Needs to clear \$55 hurdle

- Trump's rebate paycheck idea lacks conviction. Even 60% Americans receiving rebate would wipe out the entire tariff collection.
- ETF outflows, rate cut uncertainty and caution before data releases may lead to profit booking.
- The grey metal is expected to be highly volatile due as risk assets fall.
- Dip buying is preferred over chasing the rally. Support is at \$52.30 /\$51.70/\$51, while resistance is at \$54.50/\$55. A decisive breach of resistance at \$55 can take the metal to \$58/\$60.
- Short-term buyers need to be careful.

Precious metals: Sharply lower from intra-day highs

- Spot gold crashed by \$100 from its intra-day high of \$4245.
- Spot silver slumped nearly 2.75%.

Base metals: Consolidation in near term**Energy complex: Mixed closing**

- The complex closed mixed as crude oil fell on supply abundance and weak DoE weekly data. Natural gas extended its rally on US LNG exports.
- Effectively, all the base metals closed lower as the US yields leapt higher.
- Disappointing Chinese data is a negative development for the complex.

Copper: Seen range trading

- The red metal is expected to trade in Rs 995-Rs 1040 range.

Zinc: Seen range trading

- Zinc support is around Rs 301.

Crude oil: Bearish DoE data

- Yesterday's weekly DoE data were disappointing. Stockpiles came in much larger than expected as a US crude oil inventories rose for the second straight week. Crude oil put reserves stand at 427.6 million barrels, the highest since early June. Inventories US Crude oil production rose to a new record last week as production shot up by 211,000 barrels a day from the previous week.
- Crude oil needs to take out strong resistance around \$61.50 to extend its recovery to \$63.50. Support is around \$57-\$58.

Natural gas: gaining on US LNG exports

- Natural gas is gaining on strong LNG export volumes out of the US, which run in the tune of over 18 bcf/day.
- Weather forecast is mixed, which may see profit booking at times.
- In case of a cold winter, natural gas prices may spike to \$6 level, which means an upside of around 25% from the current level.

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