
Crude Oil prices climb up on inventory drop estimates by API
Gold to gain support from US-China trade tensions
Zinc continues to trade higher

CRUDE OIL PRICES CLIMB UP ON INVENTORY DROP ESTIMATES BY API, ALL EYES ON OPEC MEETING

- Oil prices are trading higher, following a sharp drop in US crude inventories, with the market waiting for the next steps from an OPEC meeting later in the day.
- Inventory- the American Petroleum Institute (API) estimated on Tuesday a huge draw in crude oil inventories of 8.322 million barrels, against market expectations of a drop of 2.75 million barrels for the week ending July 10. The EIA will release official inventory data later today.
- An OPEC technical meeting this week could provide further direction to crude oil prices. OPEC's Joint Ministerial Monitoring Committee (JMMC) will meet on Tuesday and Wednesday to recommend the next level of cuts. OPEC and Russia were expected to ease their supply cuts, as global oil demand has recovered, and prices have bounced back.
- US oil production- Oil production in the United States has now fallen from 13.1 million bpd on March 13 to 11 million bpd for July 3, according to the Energy Information Administration, for the third week in a row. Production has rebounded somewhat from the week ending June 12, which saw an average of 10.5 million bpd produced.
- Venezuela Oil production- Venezuela's production was 393,000 barrels per day (bpd) in June, down from 573,000 bpd in May, and down 52 per cent from an average of 821,000 bpd in the first quarter of the year. This was the lowest monthly total since February 1943, when Venezuela's nascent oil industry produced 353,000 bpd. The drop in exports to a 77-year low of 379,000 bpd in June was spurred by escalating US sanctions.
- China Crude imports- China's June imports of crude oil hit their highest levels on monthly and daily bases, according to Reuters calculations, based on customs data released on Tuesday. June imports reached 53.18 million tonnes, or 12.9 million barrels per day (bpd), the data from the General Administration of Customs showed, surpassing a previous record of 11.3 million bpd in May.

Outlook

- The OPEC meeting could provide further direction to Crude oil. Oil prices are likely to trade negative on expectations of easing oil supplies by OPEC+ members. WTI Crude oil prices could find support around \$38.5 per barrel, while critical resistance could be seen around \$43.70. A drop in US oil production and inventory is likely to keep oil prices firm in the short term.

GOLD TO GAIN SUPPORT FROM US-CHINA TRADE TENSIONS AND RISING CORONA CASES IN THE WORLD

- Gold prices slipped marginally over strength in the US dollar, although worries over surging coronavirus cases globally, and Sino-U.S. tensions, will lend support to gold prices at lower levels.
- Coronavirus cases continue to rise in the US, with many states temporarily halting the reopening of their economies to stem the outbreak, which has infected more than 13 million people worldwide so far.
- Fed officials warned on Tuesday that the U.S. economy faces a longer recovery from the pandemic, and economic pain could still worsen as cases mount.
- Simmering tensions between Washington and Beijing also loom large, after U.S. President Donald Trump signed an executive order, ending preferential treatment for Hong Kong, and also shut the door on "Phase 2" trade negotiations with China.
- BOJ meeting details- The Bank of Japan kept monetary policy steady on Wednesday and maintained

its view that the economy would gradually emerge from the coronavirus pandemic's devastating blow, signalling a pause after delivering stimulus twice so far this year. "Japan's economy is expected to gradually improve from the latter half of this year. But, the pace of recovery will be moderate, as the effect of the global coronavirus pandemic will remain," the BOJ said in a quarterly outlook report. As widely expected, the BOJ left unchanged its short-term interest rate target at -0.1%, and a pledge to guide the 10-year government bond yield around 0% by a 8-1 vote.

- The ECB Meeting is on Thursday, 16 July 2020- Given the extensive stimulus measures already unveiled in the bloc, we don't expect any change in policy from the ECB this week. Analysts have witnessed encouraging rebounds in both business and consumer activity data, notably sharp improvements in the PMIs, and retail sales. The recovery in the Euro Area economy may be closer to a 'V-shape' than initially anticipated. At the ECB's June meeting, the Pandemic Emergency Purchase Programme (PEPP) was increased by €600 billion, more than expected, bringing the total envelope of purchases up to a mammoth €1.35 trillion. The scheme will now run until at least the end of June 2021, versus the original end of 2020 end date.

Outlook

- Gold prices are expected to remain firm on safe-haven demand, and an easing monetary policy by major global central banks. Important support levels could be seen around \$1,766 per ounce, while key resistance level is seen near \$1,825-1,832 per ounce range.

ZINC CONTINUES TO TRADE HIGHER

- Zinc experienced a strong breakout last Wednesday; the metal closed with gains for six consecutive trading sessions, before taking a breather yesterday. Zinc is trading at its highest level since 28th Jan 2020; the recovery has been stupendous, led by Chinese demand in the physical market.
- SHFE inventory for Zinc has also declined sharply, as consumption in China increased; inventory (on warrant), since 1st April, has declined by 58.11%, from 87,713 mt to 36,746 mt, helping prices stay buoyant. While LME inventory during same time has increased from 48,775 mt to 101,500 mt, which is a rise of 108%, this is an indication of the rally being led by Chinese physical demand.
- Zinc parity (price comparison between LME & SHFE in terms of Yuan) currently stands at 390 Yuan, which is trading range bound, but is currently above the zero level, indicating strong demand in China.

Outlook

- Zinc is trading in a higher high, higher low pattern, trading above the 20-day SMA, and is also tagging the upper Bollinger Band, indicating a positive trend. The metal looks set to rise further towards \$2,250 & \$2,290 levels, while support is seen at \$2,170 & \$2,140 levels.

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