
Brent Oil prices rallied nearly 1% after a drone attack on Saudi Aramco.
Strong recovery in global equities helped rupee regain strength
Optimism over US-China trade talk pushes gold lower from one month high
China retails sales decline to 16 year low and industrial output drops
China's steel futures struggle near 5-week lows on higher production and weak demand

BRENT OIL PRICES RALLIED NEARLY 1% AFTER A DRONE ATTACK ON SAUDI ARAMCO

- ▲ Saudi Arabia reported a drone attack on two oil pumping stations in the kingdom on Tuesday. Earlier to this Saudi oil tankers were sabotaged on Sunday.
- ▲ U.S. national security agencies believe Iran sympathizers may have been responsible for the tanker attacks but Iranian officials denied responsibility.
- ▲ Rising tensions between US and Iran may keep oil prices supported for short term despite ongoing US-China trade war and increasing crude oil inventories.
- ▲ The American Petroleum Institute (API) reported a large increase in crude oil inventory of 8.6 million barrels against market expectations of 2.125 million barrel draw down for the week ended May 10. EIA weekly energy report is scheduled to report today.
- ▲ Oil futures fell as worries over US-China tariff war projected to reduce oil demand. Brent oil found some support on concerns that tanker attacks in the Middle East could disrupt supplies.

Outlook

- ▲ Trade talk has influence over oil prices other than geopolitical tensions. Brent oil rebounds after US military deployment in the Middle East and attack on the Saudi oil tanker is the new threat to world oil supplies. Escalating tensions between US, Iran, and Venezuela may push oil prices higher. Saudi has already signaled that it would not be increasing production; we can expect a further rise in the coming months. Although US Crude oil inventory pushed oil prices down from recent highs. Brent oil has rebounded above the psychological level of \$70; we see a further move towards 72.40 and \$73.20 per barrel in the near term.

STRONG RECOVERY IN GLOBAL EQUITIES HELPED RUPEE REGAIN STRENGTH

- ▲ Strong recovery in global equities helped rupee to regain strength, but rising Crude oil prices have dampened sentiments and it is likely to push rupee lower from current levels.
- ▲ FII outflow continued for the 8th session since May 3.

Macro Economic data

- ▲ India's inflation rate for the month of Apr'19 increased marginally to 2.92% vs 2.86% in Mar'19 and 2.57% in Feb'19
- ▲ Indian industrial output declined 0.1% in March'19, lowest in 21 Months
- ▲ According to a monthly report by the government, India's economy slowed down in the financial year 2018-19 due to declining growth of private consumption, tepid increase in fixed investment, and muted exports.
- ▲ The Indian economy will grow at 7% range in the current fiscal according to Chief Economic Advisor Krishnamurthy V. Subramanian.

FII and DII Data

- ▲ Foreign Funds (FII's) sold shares worth Rs.2011.85 crores, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs. 2242.91 crore on 14th May 2019.
- ▲ In May 2019, FII's net sold shares worth Rs. 7066.63 crores, while DII's were net buyers to the tune of Rs. 5443.21 crores.

Outlook

- ▲ Recent macro-economic data points are pushing the Indian rupee lower, indicating slower growth expectations. The IMF has lowered the Indian growth forecast for 2019 and 2020. US-China tariff war is pushing global equities lower and emerging market currencies are expected to be affected negatively. The Indian rupee could weaken as crude oil prices are trading higher. USD-INR could find support near 68.80-68.40 levels, while important resistance is seen around 70.23 levels.

OPTIMISM OVER US-CHINA TRADE TALK PUSHES GOLD LOWER FROM ONE MONTH HIGH

- ▲ Gold corrected from one month high after President Trump tweet that US-China trade talks have not collapsed completely. US dollar remained strong and pushed gold prices down.
- ▲ Prior to this, Gold rallied nearly 1% on Monday over China tariff on US goods, safe haven demand improved from equity market selloff triggered by China tariff.

Outlook

- ▲ Gold which rallied on US-China tariff issue, cooled off once president trump tweeted that talks have not collapsed completely. Optimisms over trade talk pushed dollar higher and gold corrected on profit booking from its one month high. Gold may find important support near \$1282 and \$1270 while critical resistance remains near \$1307 and 1324.50.

CHINA RETAILS SALES DECLINE TO 16 YEAR LOW AND INDUSTRIAL OUTPUT DROPS

- ▲ Growth in industrial output slowed in China, more than expected to 5.4 percent in April from a year earlier and 8.5% in March, market expectations were for 6.5%.
- ▲ China's exports unexpectedly shrank in April in the face of U.S. tariffs and weaker global demand
- ▲ Retail sales were also worse than expected, with the headline number rising 7.2%, the slowest pace since May 2003
- ▲ Copper and most other base metals were marginally up after U.S. President Donald Trump hinted that US China trade talks have not collapsed completely.
- ▲ Copper was negative after China imposed the tariff on \$60 billion worth of US goods from June 1. Weaker economic data are indicating poor economic conditions in China.

Outlook

- ▲ LME 3 M copper contracts may find minor support around 6048, break below this may push counter toward 5988-5874 in the near term. Ongoing tariff issues between the US and China are turning out be negative for metals as demand may slow down in the coming months. Copper may receive minor support from production shortage and declining inventories. Important resistance is seen near 6224-6303.

CHINA'S STEEL FUTURES STRUGGLE NEAR 5-WEEK LOWS ON HIGHER PRODUCTION AND WEAK DEMAND

- ▲ Concern over economic impact of a trade war with US, Chinese Steel Rebar struggled near a five-week low. Trade war will have negative impact on demand. China needs further economic stimulus to improve economy and face US tariffs.
- ▲ Steel output increased by 15% over the past two years. China produced a record 928 million mt of steel in 2018, up 6.6% on the year before, according to the World Steel Association. Steel production was 9.2% higher in Feb'19 at 71 million mt in comparison to the same month last year.

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