
Weakness in the dollar index pushed gold prices higher
Dollar weakness and positive economic data to support crude oil

WEAKNESS IN THE DOLLAR INDEX PUSHED GOLD PRICES HIGHER

- Gold prices are likely to trade firm following weakness in the US dollar index and lower T-note yields. Gold prices are currently holding near the highest level in the last seven-week near \$1,767, sharply higher from a recent low of \$1,673.30 registered on March 8. US dollar index is currently trading near 91.638 which is sharply lower from a recent high of 93.427 registered on March 31. A drop in US bond yields is also supporting a positive move in gold prices.
- Gold prices found support from increasing geopolitical tension after US president Biden imposed new sanctions on Russia in response to election interference and cyber hacks. As a part of Thursday's announcement, the US formally named the Russian Foreign Intelligence Service as the force behind the SolarWinds hack that affected the federal government and wide swaths of the private sector.
- On the economic data front, US weekly initial unemployment claims fell -203,000 to a 13-month low of 576,000, against expectations of a decline to 700,00. Also, Mar retail sales rose +9.8% m/m, against expectations of +5.8% m/m. In addition, the Apr Philadelphia Fed business outlook survey index unexpectedly rose +5.7 to 50.2, against expectations of a decline to 41.5 and the fastest pace of expansion in 48 years, the Apr Empire manufacturing survey general business conditions index rose +8.9 to a 3-1/2 year high of 26.3, stronger than expectations of 20.0. A slight negative for silver prices was the +2.7% m/m increase in US Mar manufacturing production, weaker than expectations of +3.6% m/m. US economic data was majorly negative for gold prices.
- Gold prices found support from dovish comments from Atlanta Fed President Bostic. He said that the Fed "is going to wait to see that inflation happens before it starts to slow down the economy."
- Gold prices also getting support from the recent hike in Covid-19 cases globally which increased safe-haven demand for precious metals. The overall global Covid-19 caseload has topped 138.8 million, while the deaths have surged to more than 2.98 million, according to the Johns Hopkins University

Outlook

- Gold prices are likely to remain firm while above the key support level of \$1,739 and \$1,719, meanwhile, it may face stiff resistance near \$1,785-\$1,803.

DOLLAR WEAKNESS AND POSITIVE ECONOMIC DATA TO SUPPORT CRUDE OIL

- WTI Crude oil prices bounced and rallied to 4 weeks high on the backdrop of positive economic data and weakness in the US dollar index. US economic data is showing signs of strength in the economy which is supportive of fuel demand. US weekly initial unemployment claims fell, Mar retail sales rose and the Apr Philadelphia Fed business outlook survey index unexpectedly rose. Meanwhile, The IEA on Wednesday boosted its 2021 global oil demand forecast by +230,000 BPD to 5.7 million BPD which is supportive for crude oil prices. Additionally, India's Mar gasoline demand rose +27% y/y to 88,380 MT per day, the most in 4 months.

- However, Crude oil prices are likely to find stiff resistance on the backdrop of the rising number of Covid-19 cases global. That is likely to hurt economic growth and energy demand is negative for crude prices.
- On the inventory front, US crude oil inventories as of April 9 were +1.6% above the seasonal 5-year average, gasoline inventories were -2.4% below the 5-year average, and distillate inventories were +3.4% above the 5-year average.
- Meanwhile, As per the EIA report, US crude oil production in the week ended April 9 rose +0.9% w/w to 11.0 million BPD and is down by -2.2 million BPD (-16.0%) from the Feb-2020 record-high of 13.1 million BPD.

Outlook

- Crude oil prices are likely to trade firm while above the key support level of 20 days EMA of \$61.30 and 50 days EMA of \$59.81, it may face stiff resistance around \$64.89 and \$65.40.

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