
Gold near six year high due to geopolitical tension in middle east and expectation of a interest rate cut by Fed
Crude oil rallied after US Navy destroyed Iran drone which led to increase tension in the Middle East
Nickel extended rally on increasing demand and supply concern in Indonesia
Rupee to remain under pressure on FII's out flow and Crude oil rally
Steel price drop on weak demand in China

GOLD NEAR SIX YEAR HIGH DUE TO GEOPOLITICAL TENSION IN MIDDLE EAST AND EXPECTATION OF A INTEREST RATE CUT BY FED

- ▲ Gold rallied supported by tensions in the Middle East and comments from a top Federal Reserve official to cut interest rate.
- ▲ New York Fed President John Williams said on Thursday that policymakers need to add stimulus early.
- ▲ Market expectations for Fed interest rate cuts remain relatively high. Fed-funds futures markets are showing a 67% probability of a 25-basis-point cut in rates, which currently stand between 2.25%-2.50% and a 32% chance of a half-basis point cut in rates. Fed meeting is scheduled for July 30-31.
- ▲ Geopolitical tension mounted after U.S. Navy ship had "destroyed" an Iranian drone in the Strait of Hormuz after the aircraft threatened the vessel, but Iran said it had no information about losing a drone.
- ▲ U.S. and Chinese officials were scheduled to have a phone call over the trade war later on Thursday.
- ▲ SPDR Gold Trust holdings rose 1.42 percent to 814.62 tonnes on Thursday from 803.18 tonnes on Wednesday.

Outlook

- ▲ US Federal Reserve likely to cut interest rate in the next meeting and increasing geopolitical tension after US attacked a Iranian drone pushed gold prices higher. IMF comment on US dollar also provided support to gold prices. Gold future at CME may face critical resistance around \$1455-1470 while immediate support can be seen near \$1430-1402. Short to medium term trend is looking positive.

CRUDE OIL RALLIED AFTER US NAVY DESTROYED IRAN DRONE WHICH LED TO INCREASE TENSION IN THE MIDDLE EAST

- ▲ Oil rallied after the U.S. Navy destroyed an Iranian drone lead to rise in geopolitical tension in the Middle East.
- ▲ Crude also rallied in anticipation that U.S. Federal Reserve will cut rates aggressively to support the economy.
- ▲ Britain pledged to defend its shipping interests in the Gulf region while United States said to work "aggressively" to enable free passage oil tankers.
- ▲ The International Energy Agency (IEA) reduced 2019 oil demand forecast to 1.1 mbpd against last year forecast of 1.5 mbpd due to a slowing global economy until a U.S.-China trade spat is not resolved.
- ▲ The Energy Information Administration reported a drop of 3.1 million barrels in US crude oil inventory for the week ending on July 12.

Outlook

- ▲ Oil prices rallied on mounting geopolitical tension in Middle East after US destroyed Iranian drone. OPEC production cut and mounting geopolitical tension in the Middle East along with a drop in US oil inventory may keep the oil market supported at lower levels. Although IEA forecast to cut oil demand and slowdown in world economy due to US-China trade war may keep prices under check. Brent oil futures may face immediate resistance around \$65.40- 67.20 per barrel while the key support level is seen around \$63.20 to \$61.90 per barrel.

NICKEL EXTENDED RALLY ON INCREASING DEMAND AND SUPPLY CONCERN IN INDONESIA

- ▲ Nickel prices are on multi-month high on supply concerns in Indonesia. Indonesia relaxed a ban to export nickel ore in 2017 but said that exports will be restricted again in 2022.
- ▲ Nickel prices rallied on increased demand from industrial buyers along with supply concern in Indonesia.

- ▲ Market open interest in Shanghai nickel increased to the highest since April, and was up more than 50% since July 5. The trading volume for the most active contract on Thursday was around 1.26 million lots, almost double the 30-day average.
- ▲ LME nickel inventories have slid by 43% over the past 12 months to the weakest since January 2013.
- ▲ Frequent earthquakes in Indonesia also caused a limited impact on Nickel pig iron (NPI) production, but temporarily suspended shipments of nickel ore from local mines

RUPEE TO REMAIN UNDER PRESSURE ON FII'S OUT FLOW AND CRUDE OIL RALLY

- ▲ Rupee may remain under pressure after crude oil rallied on rising geopolitical tension after US destroyed Iran drone in Middle East.
- ▲ Rupee receiving initial support from Fed comments on interest rate cut by next week.
- ▲ Bond yields drop to two-and-a-half-year low mark this week on the hopes that RBI will cut the interest rate further in next meeting.
- ▲ FII and DII Data
- ▲ Foreign Funds (FII's) sold shares worth Rs.1404.86 Crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs.329.05 crore on July 18th.
- ▲ In July'19, FII's net sold shares worth Rs. 5525.4 crores, while DII's were net buyers to the tune of Rs. 5838.55 crores.

Outlook

- ▲ Indian rupee may trade in a wide range of 68.90-68.20. FIIs outflow continued to grow in July to Rs.5525.4 crore following a trend from consecutively last two months while domestic institutional investors remained supportive. A correction in crude oil prices may provide support to domestic currency; India imports nearly 84% of its annual requirements.

STEEL PRICE DROP ON WEAK DEMAND IN CHINA

- ▲ Steel Rebar futures in China fell pressured by slowing demand and Iron ore prices remained in tight range on increasing inventory at Chinese ports. Supply outlook improved on rebound in shipments from Australia and Brazil.
- ▲ China Steel prices dropped marginally on poor demand outlook after weak GDP number which reported to be weakest annual pace since early 1992.
- ▲ Short-term macroeconomic conditions in China remain "bearish" and may reduce commodities demand in short to medium term unless some major stimulus is announced to boost economy.
- ▲ Although Steel prices may receive some support as China will continue to enforce production restrictions on heavy industry in winter this year and will tighten its emission assessment on steel mills when granting exemptions from curbs.
- ▲ Tangshan and Wu'an steelmaking province of Hebei are bound to curb production to prevent pollution. Wu'an imposed output restrictions on 14 steelmakers as part of environmental policies from July 1 to Aug.31.

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