
Gold prices are under pressure due to hawkish comments
Crude oil is under pressure because of the deteriorating covid scenario

GOLD PRICES ARE UNDER PRESSURE DUE TO HAWKISH COMMENTS

- ▲ Gold prices have fallen as a result of St. Louis Fed president James Bullard's hawkish remarks. The price is now hovering around \$1809, down from the previous week's high of \$1837.
- ▲ According to St. Louis Fed president James Bullard, the Federal Reserve should begin lowering its \$120 billion in monthly bond purchases this fall and cut them "fairly rapidly" so that the programme concludes in the first months of 2022 and allows for an interest rate hike that year if needed. Bullard's remarks followed Chair Jerome Powell's guarantee that a rate hike was unlikely at this time.
- ▲ Gold, on the other hand, may find some support as an inflation hedge. After German July CPI (EU harmonised) jumped +3.1 percent y/y, the greatest increase in nearly 13 years, Germany's Q2 core PCE rose +6.1 percent (q/q annualised), the quickest pace of gain in nearly 38 years.
- ▲ Positive economic news, on the other hand, is likely to put gold prices under pressure. July economic confidence in the Eurozone increased by 1.1 points to a new high of 119.0 (data from 1985), above predictions of a 0.3 point increase to 118.2. In addition, the German unemployment rate declined -0.2 percent in July to a 16-month low of 5.7 percent, indicating a healthier job market than the 5.8 percent expected.
- ▲ In addition, Q2 GDP in the United States increased by +6.5 percent (q/q annualised), falling short of estimates of +8.4 percent (q/q annualised). In contrast, personal consumption in the United States increased by +11.8 percent in the second quarter, above predictions of +10.5 percent.
- ▲ Concerns that the global spread of the delta Covid variant may stymie global economic recovery continue to promote gold as a safe haven asset. In the week ending July 25, the number of people infected with Covid climbed by 3.729 million, the most in two months. According to Johns Hopkins University, the global Covid-19 caseload has topped 198.2 million people, with over 4.22 million deaths and over 4.11 billion vaccinations.
- ▲ The net long of gold futures increased by 3416 contracts to 199388 during the week, according to the CFTC Commitments of Traders data for the week ended July 27. Speculative long positions lost -3624 contracts, while short positions lost 7040.

Outlook

- ▲ The strong views of St. Louis Fed president James Bullard on US interest rates hurt gold prices, although prices were sustained by safe demand due to growing covid infections. Significant resistance is seen near \$1835-\$1838, with immediate support seen near \$1788-\$1770.

CRUDE OIL IS UNDER PRESSURE BECAUSE OF THE DETERIORATING COVID SCENARIO.

- WTI Crude oil prices are currently hovering at \$73.17, a slight decrease from Friday's high. However, prices have risen considerably since a recent low of \$65.21 on July 20th. Better-than-expected global economic data indicates strength in energy demand, which is bullish for prices. However, the dollar index's strength has limited the gains. Crude prices have been undercut on fears that the pandemic will worsen, resulting in additional restrictions that will stifle economic activity and demand.
- On the economic front, personal expenditure in the United States increased by +1.0 percent m/m in June, above expectations of +0.7 percent m/m. In addition, the July MNI Chicago PMI surprisingly increased by 7.3 points to 73.4, above estimates of a decrease to 64.2 and marking the quickest rate of expansion in 36-1/2 years. Furthermore, Eurozone Q2 GDP increased by +2.0 percent quarter-on-quarter and +13.7 percent year-on-year, above expectations of +1.5 percent quarter-on-quarter and +13.2 percent year-on-year. Japan's industrial production increased by +6.2 percent m/m in June, above predictions of +5.0 percent m/m for the first time in 11 months.
- Concerns over the delta Covid variant's global distribution are expected to keep oil prices under pressure. The number of people infected with Covid increased by 3.729 million in the week ending July 25, the greatest in two months. According to Johns Hopkins University, the overall global Covid-19 caseload has surpassed 198.2 million, with more than 4.22 million deaths and more than 4.11 billion immunizations.
- As of July 23, US crude oil stockpiles were -7.1 percent below the seasonal 5-year average, gasoline inventories were -0.6 percent below the 5-year average, and distillate inventories were -6.8% below the 5-year average, according to the weekly EIA data.
- Meanwhile, US crude oil output declined -1.8 percent w/w to 11.2 million BPD in the week ending July 23 and is down -1.9 million BPD (-14.5 percent) from the record-high of 13.1 million BPD set in February 2020.
- Baker Hughes reported on Friday that active U.S. oil rigs fell by -2 rigs to 385 in the week ending July 30, down slightly from the previous week's 1-1/4-year high of 387 rigs. Active oil rigs in the United States have risen substantially from a 15-year low of 172 rigs last August, indicating increased crude oil output in the United States.
- The net long position in crude oil futures increased by +1 024 contracts to 449 764 contracts for the week ending July 27, according to the CFTC Commitments of Traders report. Shorts gained +7 341 contracts, while speculative longs gained +8 365 contracts.

Outlook

- Crude oil is expected to confront tough resistance in the \$75.26-\$76.58 range, while major support is projected around \$71.59-\$69.24.

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