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WTI Crude oil rallied on mounting geopolitical tension in Middle East after  
Gold rallied above \$1400 per ounce after dovish Fed comment and geopolitical concern  
Profit booking pushed copper prices back, sentiments still weak over global demand  
Indian rupee under pressure from rising crude oil prices  
China's Iron Ore future registered new high on supply constraints from Rio Tinto

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## WTI CRUDE OIL RALLIED ON MOUNTING GEOPOLITICAL TENSION IN MIDDLE EAST AFTER IRAN CLAIMED TO SHOOT DOWN US SPY DRONE

- ▲ Geopolitical tension increased after Iran's elite Revolutionary Guard claimed to have shot down a US "spy drone" over its territory. Iran admitted shooting down U.S. drone and President Donald Trump has tweeted that "Iran made a very big mistake".
- ▲ Federal Reserve's dovish policy move along with Optimism over US-China tariff and mounting tension in the Middle East pushed oil prices higher. U.S. President Donald Trump is preparing to meet Chinese President Xi Jinping at the G20 summit in Osaka, Japan, next week. US China tariff issue will be the main focus of G-20 meeting as both countries will re-start import tariff negotiation after lost momentum last month.
- ▲ U.S. crude stocks fell by 3.1 million barrels last week against the expectation of a 1.1 million draw according to EIA weekly inventory report. API reported a small draw in crude oil inventory of 812,000 barrels while distillate inventories fell by 50,000 barrels and a build in gasoline inventories of 1.067 million barrels for the week ending June 13.
- ▲ OPEC Meeting- the OPEC+ group is close to agreeing their next meeting should be in Vienna on July 1-2. OPEC and its allies could discuss to extend a deal on cutting 1.2 million barrels per day of oil production.

### Outlook

- ▲ Crude oil rallied on optimism over US-China trade talk and drone attack in the Middle East. Geopolitical tensions have increased after the attack on an oil tanker which pushes oil prices higher and fuelled from a attack on US drone. Saudi Arabia and Russia may extend output cuts and similar proposal can be seen in the coming OPEC meeting. Brent oil could find immediate support around \$60.40-59.10 per barrel meanwhile resistance is seen near \$64.30-66.90 per barrel.

## GOLD RALLIED ABOVE \$1400 PER OUNCE AFTER DOVISH FED COMMENT AND GEOPOLITICAL CONCERN

- ▲ Gold rallied the highest level in six-years after Fed meeting. US Federal Reserve remains dovish and hinted two rate cuts in 2019.
- ▲ The US Federal Open Market Committee kept the key rate in the 2.25-2.5 percent range but hinted for a rate cut. The strong labor market, low inflation, and U.S China tariff issues have increased the chance to cut interest rate in coming meetings.
- ▲ US dollar index corrected to lower from recent high after Fed's rate decision and supported gold prices, while 10-year U.S. Treasury yield dropped to its lowest level in nearly two years.
- ▲ Geopolitical Tensions in the Middle East also continue to support precious metals in short term as Iran claimed shoot down a U.S. drone and Trump reaction towards it.

### Outlook

- ▲ Gold may find major resistance near \$1399 after its biggest two days move after ECB comments and Fed rate decision.
- ▲ A possibility of economic slowdown due US-China tariff war and lower inflation in the US made a better case for Federal Reserve to cut interest rate in the July meeting. A dovish comment from ECB President supported gold. Gold may face some resistance over improved sentiment for US-China tariff issue after president trump meeting with Xi Jinping in Japan during G-20 meeting on June 28-29th.

## PROFIT BOOKING PUSHED COPPER PRICES BACK, SENTIMENTS STILL WEAK OVER GLOBAL DEMAND

- ▲ Copper prices rallied along with most other base metals as the U.S. dollar slipped on signals that the Federal Reserve was ready to lower interest rates in coming months but rally did not last long and profit booking and selling at higher levels pushed prices back.

- ▲ The U.S. and China presidents will meet in the G-20 summit being held in Osaka, Japan on June 28-29 to re-launch trade talks after failed efforts last month. U.S. Trade Representative Robert Lighthizer expected to meet with Liu He in Osaka along with U.S. Treasury Secretary Steven Mnuchin before Trump's meeting there with Xi.
- ▲ Copper also received support on concerns about the strike at Codelco's mines and optimism about progress in the U.S.-China trade war.
- ▲ Strike at Codelco's Chuquicamata copper mine has begun on Friday after failed negotiations. On Monday, Copper Mine has maintained output at 50% of capacity. Members of trade unions have been in favor of strike action since last month.
- ▲ Goldman Sachs says China's copper demand may improve in the second half on increasing grid investment, housing completion, improvement in the housing starts, and potential infrastructure stimulus.

## Outlook

- ▲ Short term trend continues to remain weak as world economic slowdown may decrease demand for industrial metals but copper receiving support at lower levels from improved sentiments on US-China tariff issues and workers strike at Codelco's Chuquicamata mine. Immediate support could be seen around 5715 while key resistance is seen near 5969-6200. Copper prices may not sustain gains for short term due to low seasonal demand in June where consumption weakens.

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## INDIAN RUPEE UNDER PRESSURE FROM RISING CRUDE OIL PRICES BUT RECEIVING SUPPORT FROM US FEDERAL RESERVE DOVISH POLICY COMMENT

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- ▲ Indian rupee remained in volatile range after Federal Reserve policy meeting; higher crude oil prices will keep domestic currency under pressure for short term while optimism over US-China trade talk and easy monetary policy from ECB and Fed providing support.

## FII and DII Data

- ▲ Foreign Funds (FII's) sold shares worth Rs. 438.41 crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs. 1241.23 crore on June 20th.
- ▲ In June'19, FII's net sold shares worth Rs.914.76 crore, while DII's were net buyers to the tune of Rs. 1508.41crore

## Outlook

- ▲ Rising crude oil prices from the current level pushing Indian rupee lower. Rupee is receiving initial support from dovish Federal Reserve policy. Eyes on G-20 meeting next week, US President Trump and his Chinese counterpart Xi Jinping are scheduled to meet. Any solution to US-China tariff issue will be positive for world economy and emerging market currencies. USD-INR could find support near 68.80-68.40 levels, while important resistance is seen around 70.23 levels

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## CHINA'S IRON ORE FUTURE REGISTERED NEW HIGH ON SUPPLY CONSTRAINTS FROM RIO TINTO

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- ▲ China's iron ore remained at new record after Rio Tinto Ltd lowered its Pilbara shipment guidance. Rio Tinto expects shipments from Pilbara at between 320 million tonnes and 330 million tonnes against the previous target of 333-342 million tonnes.
- ▲ Iron ore supply is already disrupted after Vale SA is yet to fully resume operations at Brucutu mine, currently, the mine is operating at one-third of its capacity. Vale expects to soon restore 20 million tonnes of yearly capacity at this mine.
- ▲ Iron ore shipment from Australia and Brazil fell 706,000 tonnes last week as compared to the prior week, to 22.15 million tonnes according to a private survey report.
- ▲ U.S and China talks over tariff issues would restart after the U.S. President Donald Trump and his Chinese counterpart President Xi Jinping meet in Japan during G-20 meeting.

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