
Increasing demand optimism to keep oil prices firm
Strength in the dollar index is likely to keep gold prices under pressure

STRENGTH IN THE DOLLAR INDEX IS LIKELY TO KEEP GOLD PRICES UNDER PRESSURE

- ▲ Gold is stabilising near \$1779 on the backdrop of weakness in US 10Y Bond yields and which continued for the third straight day. However gold weakness is likely to continue due to strength in the dollar index which rallied from the recent low of 89.515 registered on May 25th. The dollar index is currently holding near 92.188, which is supported by hawkish fed comments last week.
- ▲ Gold prices may trade in a limited range today as any major economic data is not scheduled to release but data released last week were supportive of gold prices. German May PPI rose +1.5% m/m and +7.2% y/y, against expectations of +0.7% m/m and +6.4% y/y. The +7.2% y/y gain was the largest year-on-year increase in 12-1/2 years. Also, Japan May national CPI ex-fresh food & energy fell -0.2% y/y against expectations of -0.3% y/y. Rising inflation numbers are supportive of gold prices which is used as a hedge against inflation.
- ▲ Hawkish comments from St. Louis Fed President Bullard also supported a negative move in gold prices on Friday. He said that the FOMC "has been surprised by stronger-than-expected growth over the last six months with more inflation than we were expecting, and it's natural that we've tilted a little bit more hawkish here."
- ▲ However, BOJ Governor Kuroda's comments were supportive of gold prices. He said Japan needs continued stimulus even after the pandemic ends and that the BOJ isn't thinking about stopping ETF purchases and isn't considering selling ETF holdings.

Outlook

- ▲ Gold prices are likely to face stiff resistance near \$1803-\$1845 while immediate support level could be seen around near 100 days EMA at \$1736

INCREASING DEMAND OPTIMISM TO KEEP OIL PRICES FIRM

- ▲ WTI crude oil prices are trading near \$71.55, the positive trend is likely to continue further on the backdrop of increasing demand optimism. Goldman Sachs and Morgan Stanley gave a bullish outlook for oil.
- ▲ Goldman Sachs said that global oil demand likely hit 97 million BPD in recent days, up from 95 million BPD a few weeks ago, and in the near-term, "our highest conviction long position is oil." Morgan Stanley also raised its crude oil-price forecast for the second half of 2021 to \$77.50 per barrel from a previous estimate of \$67.50 per barrel and said the global oil market is transitioning from a previous demand-constrained market to one that is supply-constrained.
- ▲ However, strength in the dollar index is limiting the rally in oil prices.
- ▲ Meanwhile oil market is likely to get direction if Iran and the US reached an agreement over nuclear talks. Iran's Deputy Foreign Minister Araghchi said last week that "we've come closer than at any other time to an agreement" to revive the 2015 nuclear deal. Arachchi added that fundamental issues remain to be negotiated, and Iranian negotiators will continue talks regardless of Iran's presidential election today.

- The recent increase in China's energy consumption is also providing support to oil prices. The estimates from China's top oil companies show China May gasoline demand was 5% higher than the same period in 2019.
- Increasing economic activity and travel in the US is supportive of oil demand. On June 13, the TSA recorded more than 2 million people going through airport security across the US - the largest number of screenings since the pandemic started.
- On the inventory front, US crude oil inventories as of June 11 were -5.1% below the seasonal 5-year average, gasoline inventories were +0.5% above the 5-year average, and distillate inventories were -6.0% below the 5-year average.
- Meanwhile, US crude oil production in the week ended June 11 rose +1.8% w/w to a 1-year high of 11.2 million BPD.
- Baker Hughes reported Friday that active US oil rigs in the week ended June 18 rose by +8 rigs to a 14-month high of 373 rigs. An increase in oil rig is indicating higher oil production in the US. Oil producer is likely to get benefit from the recent rally in oil prices.

Outlook

- WTI Crude oil price is likely to trade firm while above the key support level of 20 days EMA at \$69.78 and 50 days EMA of \$67.08, while it may find stiff resistance near \$73.17-\$74.69

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Prepared by:

Mr. Kamlesh Jogi | Market Research Analyst

email: kamlesh.jogi@abans.co.in

Phone: +91 22 68354176 (Direct)

Abans Broking Services (P) Limited

36, 37, 38A, 3rd Floor, 227 Nariman Bhavan, Backbay Reclamation, Nariman Point, Mumbai-400 021

Phone +91 22 61790000 | Fax +91 22 61790000

Email: info@abans.co.in | Website: www.abans.co.in

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