
Oil prices hold on to gains as tensions between Iran and US remain high
Gold continues to remain firm over dovish Fed comment and geopolitical concerns
Dovish Fed and ECB statements are providing support to the Indian rupee
Workers voted in favor of a strike at Codelco's Chuquicamata Copper mine.
Steel prices rallied on news that Tangshan will deepen production curbs till end-July

OIL PRICES HOLD ON TO GAINS AS TENSIONS BETWEEN IRAN AND US REMAIN HIGH

- ▲ Geopolitical issues are keeping oil prices firm as tensions between Iran and the United States escalated after Iran claimed to have hit a US drone. U.S. Secretary of State Mike Pompeo said that "significant" sanctions on Tehran would be announced.
- ▲ The Federal Reserve's dovish policy move along with optimism over US-China tariffs and mounting tensions 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. The US-China tariffs issue will be the main focus of the G-20 meeting as both countries will re-start import tariff negotiations after the lost momentum last month.
- ▲ OPEC Meeting- the OPEC+ group is close to agreeing upon their next meeting which should be held in Vienna on July 1-2.
- ▲ COT Report – Net long positions for crude oil futures rose +24,140 contracts to 363,087 for the week. Speculative long positions fell -12,708 contracts but shorts declined by a sharper -24,140 contracts.
- ▲ U.S. energy companies, last week, increased the number of oil rigs operating for the first time in three weeks. Active oil rigs increased by 1 to reach 789 and the number of gas rigs decreased by 4 to reach 177.

Outlook

- ▲ Crude oil rallied on optimism over US-China trade talks and the drone attack in the Middle East. Geopolitical tensions have increased after the attack on an oil tanker which pushed oil prices higher and which were further fuelled from an attack on an US drone. Saudi Arabia and Russia may extend output cuts and similar proposals can be seen in the coming OPEC meeting. Brent oil could find immediate support around \$62.80-60.15 per barrel; meanwhile, resistance is seen near \$66.90 per barrel.

GOLD CONTINUES TO REMAIN FIRM OVER DOVISH FED COMMENT AND GEOPOLITICAL CONCERNS

- ▲ Gold rallied to the highest levels in six years after the Fed meeting. US Federal Reserve remains dovish and hinted at 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 at a rate cut. The strong labor market, low inflation, and U.S-China tariff issues have increased the scope for cutting the interest rates in coming meetings.
- ▲ The US dollar index corrected to lower levels from the recent highs after the Fed's rate decision and this also supported gold prices, while the 10-year U.S. Treasury yields dropped to their lowest levels in nearly two years.
- ▲ Geopolitical tensions in the Middle East also continue to support precious metals in the short term as Iran claimed to have shot down a U.S. drone and President Trump's subsequent reaction towards it.
- ▲ COT report – Net long for gold futures rose +20,085 contracts to 204,323 last week. Speculative long positions surged +24,519 contracts, while shorts added +4,434.
- ▲ SPDR Gold Trust holdings rose 4.57% on Friday from a day earlier, which is their biggest one-day percentage gain since September 2008.

Outlook

- ▲ Mounting geopolitical tensions between Iran-US and trade war concerns over China –US tariff issues may keep gold prices firm for the short to medium term. A possibility of economic slowdown due to the US-China tariff war and lower inflation in the US made a better case for the Federal Reserve to cut interest rates in the July meeting. A dovish comment from the ECB President has supported gold. Key support levels are seen around \$1,390-1,379, while an important resistance level is seen near 1,438 and 1,453 levels. Gold may face some resistance over improved sentiments for US-China tariff issues after President Trump's scheduled forthcoming meeting with Xi Jinping in Japan during the G-20 meeting between June 27-29th.

DOVISH FED AND ECB STATEMENTS ARE PROVIDING SUPPORT TO THE INDIAN RUPEE; FURTHER, ALL EYES ARE NOW ON THE BUDGET NEXT WEEK

- ▲ The Budget-2019 from the newly elected Modi government will be presented next week on July 5. Market expects the budget 2019 to retain the divestment target at Rs. 90,000 crores. The Finance minister is meeting with various industry experts before the Budget presentation.
- ▲ On the global front, rising oil prices are keeping the rupee under pressure but Dovish comments from the Fed and ECB are lending support at lower levels, so the rupee is trading in a tight range from last few weeks. Rising optimism over US-China trade talks may support the domestic currency ; all eyes are now on the G-20 summit this week.

FII and DII Data

- ▲ Foreign Funds (FII's) sold shares worth Rs. 730.58 crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs. 445.75 crore on June 21st.
- ▲ In June'19, FII's net sold shares worth Rs. 1,645.34 crores, while DII's were net buyers to the tune of Rs. 1,954.16 crores.

Outlook

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

WORKERS VOTED IN FAVOR OF A STRIKE AT CODELCO'S CHUQUICAMATA COPPER MINE

- ▲ Copper prices were trading lower on uncertainties ahead of the G20 meet and Iran tensions, but the labor strike at Codelco is limiting the losses. Labor unions at Chile's Chuquicamata copper mine voted to reject the contract offer of government-controlled mining company Codelco.
- ▲ The U.S. and Chinese Presidents will meet at the G-20 summit in Osaka, Japan between June 27-29 to re-launch trade talks after failed efforts last month. U.S. Trade Representative Robert Lighthizer is expected to meet with Liu He in Osaka along with U.S. Treasury Secretary Steven Mnuchin before President Trump's meeting there with Xi.

Outlook

- ▲ The short term trend continues to remain weak as a world economic slowdown may decrease the demand for industrial metals but copper is receiving support at lower levels from improved sentiments on US-China tariff issues and a workers strike at Codelco's Chuquicamata mine. Immediate support could be seen around 5,715 while key resistance is seen near 5,969-6,200 levels. Copper prices may not sustain gains in the short term due to low seasonal demand in June where the consumption has weakened.

STEEL PRICES RALLIED ON NEWS THAT TANGSHAN WILL DEEPEN PRODUCTION CURBS TILL END-JULY

- ▲ China's top steelmaking city of Tangshan ordered steel mills across the region to deepen production cuts until the end of July. Steelmakers are required to cut capacity by 20% according to an official statement. Chinese steel futures surged on robust demand amidst heightened production curbs.
- ▲ Rising iron prices are also keeping steel prices firm. China's iron ore futures remained higher 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.

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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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