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Copper continues to trade range-bound with positive bias ahead of US-China trade talks  
Crude prices continue to increase as API reports a decline in crude inventories  
Indian rupee trades in range ahead of G-20 summit and budget  
Gold corrects on the back of Fed's hawkish comments; however trend remains positive

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## COPPER CONTINUES TO TRADE RANGEBOUND WITH POSITIVE BIAS AHEAD OF US CHINA TRADE TALKS

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- ▲ Dollar strengthened after Fed Chairman Jerome Powell asserted FED's independence and pushed back against U.S. President Donald Trump's call for a steep cut in interest rates in the next policy meeting. Copper retreated from a 5-week high.
- ▲ Copper remains in range ahead of G-20 summit where the US and China may negotiate tariff and discuss trade dispute meanwhile industrial metals are receiving support amid worries due to supply, after thousands of workers of Chile's Codelco rejected the company's offer during the weekend and extended the strike at a major mine.
- ▲ Workers at Chuquicamata, one of the world's biggest copper mines, have been on strike since mid-June, risks wiping out 10,000 metric tons of copper from the market, with having expectation of being in deficit by the year end. This could widen the supply gap estimated in May by the International Copper Study Group to be at 189,000 metric tons this year.
- ▲ Senior Chinese and U.S. trade officials spoke over phone on Monday ahead of talks between Chinese President Xi Jinping and U.S. President Donald Trump

### 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 the 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 is generally weak.

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## CRUDE PRICES CONTINUE TO INCREASE AS API REPORTS A DECLINE IN CRUDE INVENTORIES

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- ▲ According to API (American Petroleum Institute), U.S. crude oil stocks declined 7.5 mn bbls compared to analyst expectations of a 2.5 million barrels decline. The positive data came as traders watched for any signs of tensions between the United States and Iran could escalate into a military conflict soon. Conflict between US and Iran has stoked fears that oil passing through the Strait of Hormuz - the world's busiest oil supply route - could be disrupted.
- ▲ The International Energy Agency said this month it had revised down its estimate for crude demand growth in 2019 aimed at trade dispute between US and China.
- ▲ Although 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.

### 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 a 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.

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## INDIAN RUPEE TRADES IN RANGE AHEAD OF G-20 SUMMIT AND BUDGET

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- ▲ Dollar strengthened after Federal Reserve on Tuesday pushed back on market expectations and presidential pressure on the FED to deliver a significant U.S. interest rate cut of about 50bps cut as soon as its next meeting is held. This strengthened the US dollar and USDINR has moved up marginally today.
- ▲ James Bullard said while a preemptive rate cut would protect against a sharper-than-expected

slowdown in the US economy, the situation doesn't justify a 50 basis points reduction in interest rates.

- The Budget-2019 from the newly elected Modi government will be presented next week on July 5. The 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 may keep 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) bought shares worth Rs. 1157.87 Crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs.377.22 crore on June 25<sup>th</sup>.
- In June'19, FII's net sold shares worth Rs. 280.14 crores, while DII's were net buyers to the tune of Rs. 3315.81 crores.

## Outlook

- Rising crude oil prices from the current levels may push the Indian rupee lower. The 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.

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## GOLD CORRECTS ON THE BACK OF FED'S HAWKISH COMMENTS; HOWEVER TREND REMAINS POSITIVE

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- Gold declined after hawkish comments by Fed playing down expectations of aggressive monetary easing. The US Federal Open Market Committee kept the key rate in the 2.25-2.5 percent range in the previous meeting but hinted at a rate cut in 2019.
- The US dollar index rose after fed comments yesterday and this also supported gold's correction, while the 10-year U.S. Treasury yields advanced slightly from their lowest levels in nearly two years.
- India's gold demand could decline 10% in 2019 as compared to the previous year, to the lowest level in about three years due to rally in local gold prices due to a record high dents retail purchases during the upcoming festive season. If INR weakens then this could further fuel the rally in domestic gold prices making the precious metals even more expensive in the coming days.
- Geopolitical tensions in the Middle East also continue to support precious metals rise in the medium term as Iran claimed to have shot down a U.S. drone and President Trump's subsequent reaction towards it. U.S. President Donald Trump targeted Iranian Supreme Leader Ayatollah Ali Khamenei and other top Iranian officials with sanctions.
- COT report – Net long for gold futures raised +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 to 801.96 tonnes on Monday from 799.03 tonnes on Friday.

## Outlook

- Mounting geopolitical tensions between Iran-US and trade war concerns over China-US tariff issues could 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 1,453 and 1,498 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.

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