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Expectations of a rate cut by the Federal Reserve is keeping gold prices higher  
Revival in economic growth may support Crude oil demand if the Fed cuts down the interest rate  
Copper prices firm ahead of planned trade talks between U.S. and Chinese officials  
Steel prices drop as supply may increase after production curbs end on July 31  
Rupee trades in the range of 68.30-69.40 ahead of US fed meeting this week and RBI meeting next week

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## EXPECTATIONS OF A RATE CUT BY THE FEDERAL RESERVE IS KEEPING GOLD PRICES HIGHER

- ▲ Gold prices remain firm on expectations of a rate cut by the Federal Reserve this week. Fed may announce some measure for monetary easing to support the economy. There is a very high probability that the Fed may cut rate by 25 bps on July 30-31 policy meeting.
- ▲ Lower interest rates support riskier assets such as gold as cost holding reduces with decreasing interest rates.
- ▲ The dollar index traders near a two-month high against other currencies may limit gold gains.
- ▲ U.S.-China trade talks are back in focus, any breakthrough in tariff talk may reduce tension between the two nation and support economy in the long run. Although, expectations remain low for a breakthrough. Gold is a preferred safe haven during times of economic and political uncertainties.
- ▲ Hedge funds and money managers reduced their bullish stance in COMEX gold in the week ending on July 23, the U.S. Commodity Futures Trading Commission (CFTC) said on Friday.

### Outlook

- ▲ Gold prices remain firm on expectations of a rate cut by the Federal Reserve this week. Fed may announce some measure for monetary easing to support the economy. U.S.-China trade talks are back in focus, any breakthrough in tariff talk may reduce tension between the two nations and support economy in the long run. We can expect to rally towards 1434-1446 in case it maintains a support level of \$1411. Any breakdown below the support level of 1411 may push counter back to 1400-1380 in the near term.

## REVIVAL IN ECONOMIC GROWTH MAY SUPPORT CRUDE OIL DEMAND IF THE FED CUTS DOWN THE INTEREST RATE

- ▲ Oil prices remain firm on optimism that the US Fed will cut interest rates for the first time in more than ten years, which may support economic and fuel demand growth in the world. Dovish monetary policy in the United States would revive and support the global economy.
- ▲ Positive Iran talks with world powers pushed oil prices down but Growth in the US economy provided support at lower levels
- ▲ Geopolitical tension in the Middle East eased after talks between Iran and major powers ended on a positive note.
- ▲ Economic growth in the United States slowed less than expected in the second quarter with a boom in consumer spending, supported demand outlook in the US.
- ▲ Market focused on U.S. Federal Reserve meeting, which is expected to lower interest rates and positive trade talk between US-China may improve sentiment.
- ▲ Net long for crude oil futures declined -25911 contracts to 397581 for the week. Speculative long positions dropped -7544 contracts and shorts increased +18367 contracts.
- ▲ The US oil and gas rig count fell by 8 last week. The total number of active oil rigs in the United States fell by 3 according to the report, reaching 776. The number of active gas rigs decreased by 5 to reach 169.

### Outlook

- ▲ ICE Brent oil is likely to trade in the range of \$62.50-64.70 per barrel this week. Crude oil remained higher aimed supply concern in the Middle East. Supply drop in the US is also proving support to oil prices after weekly inventory reported a drop of 11 million barrel against market expectation of 4 million barrels. Crude oil may remain positive this week although a lot of moves depends on weekly US Crude oil inventory report, Federal Reserve meeting and US-China trade talks, which may provide further direction this week.

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## COPPER PRICES FIRM AHEAD OF PLANNED TRADE TALKS BETWEEN U.S. AND CHINESE OFFICIALS

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- ▲ Copper prices marginally up ahead of the Fed meeting on July 30-31; Expectations for Fed rate cuts will support copper prices in the short term.
- ▲ Copper prices are also receiving support from trade talks between the US and China. Trade negotiators from the United States and China will meet in Shanghai this week for a two-day discussion aimed at resolving the year-long trade war between the world's two biggest economies.
- ▲ Profits earned by China's industrial firms contracted in June after a brief gain the previous month, fuelling concern that a slowdown in manufacturing from a bruising trade war will drag on economic growth.

### Outlook

- ▲ Copper may trade in a range with a positive trend over progress in US-China trade talks and improved US GDP number. US GDP at 2.1% bettered expectation, strong consumer number and low inflation supported GDP in difficult times of trade war. Copper may find minor support near 5900 while immediate resistance is seen near 6078-6191. Copper prices traded negative after less dovish comment from ECB president, eyes are on key Fed meeting next week.

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## STEEL PRICES DROP AS SUPPLY MAY INCREASE AFTER PRODUCTION CURBS END ON JULY 31

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- ▲ Steel prices in China dropped ahead of the scheduled lifting of intensified production restrictions from August 1, in the nation's top steelmaking city of Tangshan. Anti-pollution measures in Tangshan were required steel mills to curb their sintering operations by 20% up to 70% from July 21 to July 31.
- ▲ Steel production in China set to remain higher as authorities have ruled out setting blanket output restrictions on heavy industry for the coming winter, including steel mills, despite the government's campaign to curb pollution.
- ▲ Expectations for reasonably good demand for steel have increased, as China has projected to launch more infrastructure projects.

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## RUPEE IN RANGE OF 68.30-69.40 AHEAD OF US FED MEETING THIS WEEK AND RBI MEETING NEXT WEEK

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- ▲ Rupee will remain under pressure on FII's outflow. Most Asian currencies slip after firm US GDP lifts dollar index. Eyes are on Fed meeting and US-China trade talks this week.
- ▲ Bond yields could drop further on the expectation of RBI interest rate cut in the next meeting. RBI meeting begins from 5<sup>th</sup> Aug

### FII and DII Data

- ▲ Foreign Funds (FII's) sold shares worth Rs.1503.26 Crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs.1917.52 crore on July 26th.
- ▲ In July'19, FII's net sold shares worth Rs. 14024 crores, while DII's were net buyers to the tune of Rs. 15483.7 crores.

### Outlook

- ▲ FIIs outflow continued to grow in July to Rs.14024 crore following a trend from consecutively last two months while domestic institutional investors remained supportive. Indian rupee may remain negative while in range of 69.40-68.70. Rising crude oil prices may push rupee prices further lower from current level; India imports nearly 84% of its annual crude oil requirement. Eyes on critical central banking meeting as a top central bank are turning dovish and want to ease liquidity to safeguard economies from slowdown due to US-China trade war tariffs. The Fed meeting is on 30<sup>th</sup> – 31<sup>st</sup> July this week and the RBI meeting begin from 5<sup>th</sup> Aug.

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