
Crude Oil bounces of supply tightness
Stimulus hopes in China could lend support to Copper
Gold gives up gains on strong Dollar
Rupee continues to trade sideways

CRUDE OIL BOUNCES OF SUPPLY TIGHTNESS

- ▲ Oil prices declined on US-China trade war fears after it was reported that China could use its rare earth exports as a weapon against US in the ongoing trade war. Also oil is receiving some support from OPEC output cuts and political tensions in the Middle East. However crude rebounded swiftly in the mid US session after inventories declined by 5.3 mn barrels against the expectations for a 900k barrel drop.
- ▲ Global oil demand is so far holding up, likely averaging over 100 million barrels per day (bpd) this year for the first time, but the growth concerns may have a negative impact on it.
- ▲ On Supply side Russia's oil production continues to fall this month over contamination and expected exports to reduce further. Russian Oil production totaled at 11.126 mbpd on May 21 down from 11.147 mbpd on May 1.
- ▲ According to tanker data, Iran's May crude exports declined to less than half of April levels to around 400,000 barrels per day (bpd).
- ▲ Weekly U.S. oil inventory data release has been delayed due to Monday's Memorial Day holiday, Data from Energy Information Administration (EIA) is expected to be released on Thursday at 11 a.m. EDT.
- ▲ U.S. crude oil futures gained marginally after flooding. Flooding in Midwest had constrained crude flow from the main U.S. storage hub in Cushing, Oklahoma.
- ▲ AS per Saudi Arabia, OPEC is not in a rush to ease supply in the upcoming meeting in June and the market was expected to be in balance.

Outlook

- ▲ Brent oil lost ground along with global equities as demand outlook fades over intensifying trade war between US and China. But it recovered smartly in the US session on the back of bigger than expected drop in the API inventory. Crude has rebounded above its critical support level around 68.00-68.70 and while above these levels a rebound towards 69.10 and 70.00 could be witnessed.

STIMULUS HOPES IN CHINA COULD LEND SUPPORT TO COPPER

- ▲ Copper is currently trading near its support of 5880-5800 but remains under pressure due to the US-China trade tensions. According to a Bloomberg report, world GDP is expected to decline by 0.6% by mid of 2021 as US-China tariff war continues further. US and China jointly affecting over \$600 worth of world trade by the tariff.
- ▲ Copper found minor support at lower levels by expectations of further economic stimulus in China in order to support their slowing economic growth and to prop up the manufacturing sector by reducing taxes.
- ▲ An escalation of trade tensions could trigger further monetary and fiscal easing by the Chinese government to support growth. China would keep the VAT low for the manufacturing industry to support the economy.
- ▲ China's official manufacturing PMI for May is due Friday, with economists are anticipating a tick down to 49.9, which signals a slowdown in manufacturing.
- ▲ According to the Reuters survey report, the copper market is expected to have a 205,550-tonne deficit this year and 172,000 tonnes in 2020
- ▲ Unionized workers at top copper miner Codelco's Chuquibambilla mine voted on Saturday to reject contract offer and to go on a strike however further details are not yet out.

Outlook

- ▲ LME 3M copper contracts broke the support around 5988, this may push counter toward 5874-5758 in the near term. Ongoing tariff issues between the US and China are turning out to be negative for metals as demand could slow down in the coming months. LME 3M Copper contract may receive minor support from product shortages and declining inventories, important resistance is seen near 6224-6303.

GOLD GIVES UP GAINS ON STRONG DOLLAR

- ▲ Gold found support as global economic concerns dented risk appetite although strong dollar took some sheen off the precious metal.
- ▲ President Trump said that the U.S. isn't ready to make a trade deal with China. Trump added further that American tariffs on Chinese goods "could go up very, very substantially, very easily".
- ▲ China's official manufacturing PMI for May is due on Friday and U.S. first-quarter revised GDP data is due on Thursday.
- ▲ Holdings of SPDR Gold Trust fell 0.2% to 737.34 tonnes on Tuesday from Friday
- ▲ Weakness in global equities is also lending support to gold prices the precious metals is also supported by ramping up the rhetoric from the Chinese state media against the US. Both sides continue to the war of words which is making stock markets jittery and funds are slowly shifting from risky assets to safe heavens.
- ▲ However gold has had three consecutive negative months and looks likely to close negatively for the fourth consecutive month if it closes below \$1285.70. It would be critical to watch out for geopolitical evens in the coming days.

Outlook

- ▲ Gold bounced after dollar corrected from its 2 years high. US-China trade has increased risk appetite. Geopolitical issues have increased volatility in equities and providing support to precious metals. Gold could find support near \$1270 and \$1260 while critical resistance remains near \$1307 and 1324.50. It could continue trading range bound in the near term.

RUPEE CONTIUES TO TRADE SIDEWAYS

- ▲ Indian equities continued to trade range bound with slight weakness over sell-off into global equities.
- ▲ Global market sentiment remained negative over US-China trade war.
- ▲ Losses in rupee were limited as Crude oil prices have moderated some gains and continued its negative move later in the day. Crude oil has found support at the 20-week SMA and if a sustainable bounce if at all seen from current levels could have a negative impact on the Rupee in the near term.
- ▲ The dollar strength is putting some pressure on the Rupee however relatively resilient Indian stock markets and positive fund flows have helped Rupee remains reasonably stable
- ▲ The market is eyeing GDP number which is scheduled to be released later this week. The market expects them to be around 6.4% in comparison to 6.6% from the previous quarter.
- ▲ Further direction of crude and Indian equity markets is likely to help ascertain further trend for the Rupee as well.

FII and DII Data

- ▲ Foreign Funds (FII's) sold shares worth Rs.304.27 crores and Domestic Institutional Investors (DII's) sold shares to the tune of Rs. 304.27 crore on May 29th
- ▲ In May'19, FII's net sold shares worth Rs.4476.74 crores, while DII's were net buyers to the tune of Rs. 6044.85 crores

Outlook

- ▲ USD-INR could find support near 68.80-68.40 levels, while important resistance is seen around 70.23 levels. US-China tariff war continues to exert pressure on global equities and emerging market currencies are expected to be negatively impacted. Softening crude prices may provide some strength to the rupee but FIIs outflow and weakness into equities is limiting gains.

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