
The positive trend to continue in Crude oil
An uptick in the dollar to keep gold prices under pressure

THE POSITIVE TREND TO CONTINUE IN CRUDE OIL

- WTI crude oil prices corrected marginally from a recent top of \$70 and holding near \$69.28 meanwhile Brent oil prices also corrected after registering the highest level of \$72.04 in the last two years. Brent oil is now trading at \$71.18 Crude oil is likely to continue a positive trend on the backdrop of weakness in the US dollar and positive economic data.
- However, crude oil is likely to get fresh direction from ongoing nuclear talks with Iran. Delayed removal of sanctions on Iran is likely to keep anticipated oil supplies tight and supportive of oil prices. Iranian Deputy Foreign Minister Abbas Araghchi shared this positive assessment, telling Iranian broadcaster IRIB that "the next round of the talks in Vienna logically could, and should be, the final round." However, Ned Price, the spokesman for the U.S. State Department, said last week that the US was "clear-eyed about its objectives" and that "there's just about every expectation there will be subsequent rounds" beyond the upcoming sixth round, contradicting Mora's more optimistic outlook.
- On the global economic data front, the US May unemployment rate fell -0.3 to a 14-month low of 5.8%, against expectations of 5.9%. Also, Japan Apr household spending rose a record +13.0% y/y (data from 2001), against expectations of +8.7% y/y. US May nonfarm payrolls rose +559,000, weaker than expectations of +675,000. Eurozone Apr retail sales fell -3.1% m/m, weaker than expectations of -1.5% m/m. Most of the global economic data released on Friday was negative for oil prices. China's economic data released today was supportive of energy demand. As per official data, China's imports grow at the fastest pace in a decade as the trade surge continues
- Meanwhile, Saudi Arabia raised prices for most of its crude grades to its Asia customers for July delivery. State-producer Saudi Aramco raised its price for Arab Light crude by +20 cents/bbl, above expectations of +10 cents/bbl, a sign of stronger global crude demand.
- Also, Increased US air travel is likely to provide support to oil prices. The U.S. TSA reported that 1.96 million travelers passed through U.S. airport checkpoints last Friday, the most since March 7, 2020.
- OPEC+ last week agreed to increase the group's crude production levels by +841,000 BPD starting in July, following hikes in May and June. The OPEC+ Joint Technical Committee estimates that by the end of July, global crude stockpiles will be below their 5-year average.
- OPEC May crude production rose +320,000 BPD to a 4-month high of 25.56 million BPD.
- Crude oil prices found support after Saudi Energy Minister Prince Abdulaziz bin Salman said that he would believe the need for more oil production when he sees it, a sign that Saudi Arabia is in no hurry to boost its crude output.
- IEA Executive Director Birol said the next six months will see a "strong" recovery of oil consumption in the U.S., China, and Europe, and if OPEC+ doesn't boost output later this year, the gap between supply and demand may widen, and that oil prices may face further upward pressure.
- Last week's EIA inventory report showed that US crude oil inventories as of May 28 were -3.0% below the seasonal 5-year average, gasoline inventories were -3.3% below the 5-year average, and distillate inventories were -7.9% below the 5-year average. Meanwhile, crude oil

production in the week ended May 28 fell -1.8% w/w to 10.8 million BPD and was down by -2.3 million BPD (-17.6%) from the Feb-2020 record-high of 13.1 million BPD.

- Baker Hughes reported Friday that active U.S. oil rigs were unchanged in the week ended June 4 at a 13-1/2 month high of 359 rigs, well above August's 15-year low of 172 rigs.
- According to the CFTC Commitments of Traders report for the week ended June 1, net long for crude oil futures jumped by 15,807 contracts to 4,91,297 for the week. Speculative long position rose by 13,067 contracts, while shorts dropped by 2,740 contracts.

Outlook

- WTI Crude oil is likely to continue with a positive trend while above the key support level of 20 days EMA of \$66.98 meanwhile it may face stiff resistance around \$71.95 and \$74.14

AN UPTICK IN THE DOLLAR TO KEEP GOLD PRICES UNDER PRESSURE

- Gold is currently trading near \$1886, which is sharply lower than last week's high of \$1919.20 registered on June 1. Marginal recovery in the Dollar index from last week's low of 89.65 is keeping precious metals under pressure. Recovery in US 10Y bond yields is also adding pressure to prices.
- Positive economic data is likely to keep a lid on gold prices. Economic data released today shows that China's imports and exports grew again in May, but both missed expectations. Imports grew by 51.1 percent in May from a year earlier to US\$218.4 billion, up from the 43.1 percent growth in April. China's exports grew by 27.9 percent last month from a year earlier to US\$263.9 billion, down from the 32.3 percent growth seen in April. China's total trade surplus stood at US\$45.53 billion in May, compared with US\$42.85 billion in April.
- However, Concern about rising US wage pressures likely to support gold demand as a hedge against inflation. US May average hourly earnings rose +0.5% m/m and +2.0% y/y, stronger than expectations of +0.2% m/m and +1.6% y/y.
- Other Global economic data on Friday was mixed for precious metals. US May nonfarm payrolls increased +559000 weaker than expectations of +675,000. US May unemployment rate fell -0.3 points to a 14-month low of 5.8%, showing a stronger labor market than expectations of 5.9%. Also, Japan Apr household spending rose a record +13.0% y/y (data from 2001), stronger than expectations of +8.7% y/y.
- According to the CFTC Commitments of Traders report for the week ended June 1, net long for gold futures dropped by 941 contracts to 2,13,701 for the week. Speculative long position rose by 560 contracts, while shorts also increased by 1501 contracts.

Outlook

- Gold prices are likely to face stiff resistance near \$1896-\$1920, while immediate support level is seen around 20 days EMA at \$1878 and 50 days EMA at \$1841

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