OPEC meeting in Vienna on June 22: Members are pushing for looser supply controls

- Top crude exporters Saudi Arabia as well as Russia (Non OPEC Member) are pushing for looser supply controls, which were introduced in 2017 to prop up prices by OPEC.
- Other OPEC-members, including Iran, are against such a move, fearing a sharp slump in prices.
- Iran has rejected a potential compromise and is not expected to support even a small increase in oil production. This puts Saudi Arabia in a tough position, as unanimity is needed for any accord to be reached.
- Market expects that supply quotas will be increased, but probably more in line with the smaller range being quoted (300,000-600,000 barrels per day) given the lack of consensus amongst OPEC members.
- Markets were also anxiously watching trade tensions between the United States and China, in which both the sides have threatened to impose stiff duties on each other's export products, including U.S. crude oil.

Inventories Report:

- U.S. crude inventories fell by 3 million barrels in the week ending June 15 to 430.6 million barrels, according to the weekly API report published on Tuesday.
- Official **EIA** inventory data is expected to show US crude stockpiles shedding 2.43 million barrels last week. Data will be released today at 8 p.m. (IST)

Source: Bloomberg, Reuters

Our view: *Crude has broken a recent support base of 64.20 and has turned negative till 61.40 in the near term. A further bullish move is possible only on hold and close above 67.31. Those selling on pullback till 65-66 levels may keep a stop loss above 67.31 for the short term. Meanwhile, a medium term resistance still remains near 69.44.*

Aluminium reaches a near critical support base

- Metal prices steadied on Wednesday after touching a three-week low earlier in Asian trading, but a deepening trade row between China and the United States capped any recovery in risk appetite.
- While the trade tariffs don't derail the narrative of global economic growth, the prospect of further punitive measures taken by both the U.S. and China certainly heightens that risk.
- Aluminium Premium: A Japanese aluminium buyer has agreed to pay a global producer a premium of $132 per tonne over the benchmark price for shipments in July to September, the highest in more than three years.
- Sanctions-hit Russian aluminium producer Rusal said that it had started shipping bauxite from its Dian-Dian bauxite project in Guinea to its alumina refineries in other countries.

Source: Bloomberg, Reuters

Our view: *LME 3M Aluminium bounced from the recent low of $2167 per tonne as 14 days was approaching over sold territory. Further bullishness can be seen on a consolidation above $2233 per tonne towards the recent high of $2352 per tonne. Any break below $2160 per tonne may push the counter towards new lows of $2108 per tonne and $1983 per tonne in the near term.*

Trade war update

- China has underestimated U.S. President Donald Trump's resolve to impose more tariffs unless it changes its "predatory" trade practices.
- A 25 percent tariff on U.S. crude oil imports, as threatened by China in retaliation for duties Washington has announced but not yet implemented against Chinese products, would make American crude uncompetitive in China versus other supplies. This tension would crimp sales to the shale industry's largest customer, adding new pressure on U.S. crude prices.
- Trump threatened on Monday to hit $200 billion of Chinese imports with 10 percent tariffs if Beijing retaliated against his previous targeting of $50 billion in imports, aimed at pressuring China to stop stealing U.S. intellectual property.
- Russia said it would impose import duties on U.S. road-building machinery, a measure likely to help Russian oligarch Oleg Deripaska, who was hit by U.S. sanctions and controls Russia's biggest maker of road-building equipment.

Source: Bloomberg, Reuters

Gold holds near six-month low as the dollar trades close to its highest level

- Gold holds near a six-month low as the dollar trades close to its highest level in almost a year amid escalating trade tensions between the U.S. and China. Platinum declines to near lowest levels in more than two years.
- US Dollar Index holds near its highest level since July 2017.
- Gold as an asset class has failed to garner favor among investors as a preferred safe- haven asset. There are very clear signs of a strengthening dollar story and this makes the greenback and other safe-haven currencies like the yen more preferred.
- While the threat of a trade war does depress risk appetite from an economic perspective, the tariffs will most likely narrow U.S. trade deficit, which in theory should boost the greenback.

Source: Bloomberg, Reuters

Our view: *Comex Gold may find support near $1277 per troy ounce and any aggressive cross and close below this level on the weekly charts may push the counter towards the lowest levels of $1237 per troy ounce and $1208 per troy ounce in the medium term. A bounce back from $1277 per troy ounce above $1320 per troy ounce will reinforce the bullish move and the counter may see a new high for this year above $1365 per troy ounce.*

China may buy more soybeans from Brazil; Price fell to lowest for a most-active contract since March 2016

- As the brewing U.S.-China trade war sparks the Asian country to buy more Brazilian soybeans, American shippers are getting a boost from other importing nations.
- Soybeans slumped as major buyer China threatened to retaliate against U.S. trade restrictions. The other grain and oilseed markets also fell.
- The winners in a trade dispute can be countries not involved in the dispute itself.
- Trade tensions between the world's two biggest economies intensified, with China vowing to retaliate "forcefully" against President Donald Trump's threatened tariffs on another $200 billion in Chinese imports.
- China's agriculture markets jumped as tariff threats escalated, Soybean meal led a surge in Chinese agriculture futures, while seed producers rose and pig companies tumbled.
- Soybeans inspected for exports reached 818,396 metric tons in the week ended June 14, more than double the amount a year earlier and 21 percent higher than a week earlier, as per reports from USDA.

Source: Bloomberg, Reuters

Our view: *CME Soybean prices are under pressure from the last three months and have now found a new support zone near $843 per bushel. A minor recovery from current levels is possible as 14 days RSI is approaching over sold territory. Any pullback till $920-$927 per bushel range can be considered as a fresh selling opportunity.*

ABans Group

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Contact Details

ABANS GROUP OF COMPANIES
36, 37, 38A, 3rd Floor, 227 Nariman Bhavan,
Backbay Reclamation, Nariman Point,
Mumbai - 400 021

Phone +91-22-61790000 Fax +91-22-61790010

Email: info@abans.co.in Website : www.abans.co.in

Social Media