China aluminium output drops in May

- Base metal were mixed in early trade on Monday as positive sentiment over strong import data in China, the world's biggest metals consumer, was tempered by renewed fears of a trade war amid a lack of consensus at the G7 summit held in Canada.
- **China's primary aluminum output** extended this year's slide in May, falling 3.2% year-on-year to 3.07m tons, as per SMM Reports.
- **Aluminium production** for the first 5 months dropped 2.7% to 14.8m tons, as per SMM Reports.
- **Capacity expands:** Production dropped even as capacity continues to expand, reaching an annualized 36.2m tons in May.
- **Operating Capacity**: Operating capacity is expected to rise further in June as new capacity is commissioned, However, the commissioning of newly built capacity and production resumption in the first half of the year are slower than expected.
- **Output in June** will fall to 3m tons, as per SMM estimate
- **China Consumer Price Index:** China's annual consumer inflation was steady at 1.8 percent in May, unchanged from April, and in line with economists' forecasts, official data showed on Saturday. The Consumer Price Index (CPI) is expected to rise 1.8 % from a year earlier.
- **China Producer Price Index** (PPI) rose 4.1% from a year earlier, accelerating from the previous month's rise of 3.4 % , the National Bureau of Statistics (NBS) said on its website.

Source: Reuters

Our View: *Aluminium 3m contract is finding support at rising trend line near $2284 per Mt and minor resistance near $2353 per Mt, as we see a fresh breakout above this level then more upside move is possible towards $2380-$2432 per Mt and $2557 per Mt as the tight supply in China may keep prices northward for the time being. The counter may turn bearish only on a break below $2224 per Mt, which is a strong support base on the monthly chart. (Mt= Metric Ton)*

Crude trapped in a range on increased production and Asian demand

- Oil prices were mixed on Monday, caught between the downward pull of rising Russian production and U.S. oil drilling activity at its highest since 2015, and upward pressure from strong demand, especially in Asia.
- **U.S. output** to start offsetting efforts led by the Organization of the Petroleum Exporting Countries (OPEC) to withhold production, which has been in place since 2017, and in the first half of this year have pushed up prices significantly.
- **US Oil rig rising:** Prices were weighed down by another rise in the number of rigs drilling for new oil production in the United States, which crept up by one to reach its highest level since March 2015 at 862.
- **Global Supply in 2019:** Oil fundamentals are expected to weaken in 2019 on the back of stronger than expected non-OPEC supply but also the potential release of barrels from OPEC as the joint accord between OPEC and non-OPEC is unlikely to stay in place. OPEC, together with some non-OPEC producers, including Russia, started withholding output in 2017 to end a global supply overhang and prop up prices.
- **OPEC Meeting:** OPEC meets on June 22 at the cartel's headquarters in Vienna, Austria, to discuss policy.
- **Russia's oil production**, the world's biggest, had risen to 11.1 million bpd in early June, up from slightly below 11 million bpd in most of May and well above its target production of under 11 million bpd as part of the deal.
- **COT BRENT**: Hedge Funds cut net bullish ICE Brent oil bets to an 8-month low, money managers cut bullish ICE Brent crude oil bets by 13,810 net-long positions to 438,186. The net-long position was the least bullish in more than eight months. Long-only positions fell 21,668 lots to 514,585 in week ending June 5.Short-only positions slipped 7,858 lots to 76,399.
- **COT WTI CRUDE:** Money managers have cut their bullish Nymex WTI crude oil bets by 10,785 net-long positions to 313,450, weekly CFTC data on futures and options show. The net-long position was the least bullish in seven months Long- only positions fell 12,177 lots to 362,727 in the week ending June 5 The long-only total was the lowest in eight months. Short- only positions fell 1,392 lots to 49,277.

Source: Reuters

Our View: *Crude Oil WTI futures contract is finding a support base near $64.22 per barrel and a stiff resistance at $67.30 per barrel. Until we see any breakout in any direction, the range-bound movement may continue further. Although the counter has corrected from the recent high of $72.83 per barrel, the decline may continue further towards $61.95 per barrel and further below this level till $57.80 per barrel as it breaks and holds below $64.22 per barrel.*

Gold prices edge higher but are locked in a range as dollar softens, Key meetings are in focus

- Gold remains in a tight spot ahead of key Central Bank policy meetings and the U.S.-North Korea summit this week, and as a weekend G7 summit fanned trade war fears.
- **Key Central Bank policy meets:** Tightening policy by a notch just one day apart, the world's top two central banks will hope to signal confidence in global economic growth, despite risks of a trade war, currency swings, and political turbulence. (FED Meeting is scheduled on 13th June & ECB meeting is scheduled on 1thJune)
- **Trump-Kim Summit on 12thJune:** U.S. President Donald Trump arrived in Singapore on Sunday for a historic summit with North Korean leader Kim Jong Un that could lay the groundwork for ending a nuclear stand-off between the old foes and the transformation of the isolated Asian nation.
- **Trade War:** China rejects "selfish, shortsighted" trade policies.Chinese President Xi Jinping, whose country is locked in a high-stakes trade dispute with the United States, called for building an open global economy.
- **COT Report:** Speculators cut their net long positions in COMEX gold by 3,169 contracts to 58,066 contracts in the week to June 5(CFTC Data).
- **Holdings of SPDR Gold Trust** fell 0.46 percent to 828.76 tonnes.
- **Physical gold demand** was soft in major Asian hubs last week with global prices moving in a tight range, while lower retail purchases forced sellers in India to offer wider discounts during a slow period for buying the metal.

Source: Reuters

Our View: *Gold trading in a range ($1284-$1321 per troy ounce) needs a fresh breakout on either side on the weekly chart. Gold may find a strong support base around $1284-$ 1269 per troy ounce; if this level is maintained, any break above $1308* per troy ounce *may push the counter higher towards $1321 per troy ounce for the short term. While a break below $1291 may push counter lower till $1284 and furthermore below this level till $1269* per troy ounce*. A positional bullish move may happen only above $1321* per troy ounce *towards the next level of resistance around $1355* per troy ounce*.*

ABans Group

Founded in 2005, under the leadership of the Group Chairman Mr. Abhishek Bansal, ABans Group has grown from being a trading house to a dynamic and diversified business group. We provide expertise in Broking Services, Merchant Banking, Non-Banking Financial Dealings, Gold Refining, Realty & Infrastructure. In a nutshell, ABans Group is a comprehensive Financial Services conglomerate, providing end-to-end financial services to all its clients.

Disclaimer and Disclosure

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