

## **EIA upgrades its forecast for US output in 2018 while lowering the forecast for 2019**

- **EIA U.S. crude output forecast** raised to 10.79m b/d for 2018 compared to 10.72m b/d estimated in May report, EIA says in its Monthly Short-Term Energy Outlook. The average output estimate for the year 2019 has been lowered to 11.76m b/d vs 11.86m b/d.
- **EIA Price Forecast :**  
WTI - For year 2018, price forecasted at \$64.53/bbl vs \$65.58 and for year 2019, prices may remain at \$61.95 vs \$60.86  
Brent. For year 2018, price forecasted at \$71.06 vs \$70.68 and for year 2019, prices may remain near \$67.74 vs \$65.98.
- Russia plans to propose that OPEC and its allies be allowed to return production to October 2016 levels, rolling back most but not all of their output cuts within three months, according to a person familiar with Russian thinking.
- **China's crude imports fell** in May from the record levels of the previous month.

Source: Reuters, Bloomberg

**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.*

## **Metals slides before Fed Meeting, Shanghai Aluminum near a six weeks low**

- Base metals prices mostly fell, led by Shanghai aluminium, which sank to a six-week low, as investors awaited news from the U.S. Federal Reserve's policy meeting, at which it is expected to raise interest rates.
- Higher interest rates usually strengthen the dollar, making dollar-denominated metals more expensive for holders of other currencies, thus weighing on prices.

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. A further upside move is possible towards \$2380-\$2432 per Mt and \$2557 per Mt. 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)*

## **Gold still in a range with negative bias as US dollar holds near two weeks high**

- Gold prices remained locked near \$1,300 an ounce as investors waited for clues on the pace of U.S. interest rate rises following the impending conclusion of a Federal Reserve policymaking meeting. Gold prices retreated as the US Dollar posted the largest increase in two weeks, extending its winning streak to a fourth consecutive day and undercutting the appeal of anti-fiat alternatives.
- An up shift in the priced-in 2019 interest rate hike path implied in Fed Funds Futures looks to have accounted for the move. In-line US CPI data passed largely unnoticed, as expected.
- Looking ahead, ECB policy decision on 14<sup>th</sup> June post the FOMC monetary policy announcement is firmly in focus.

Source: Reuters, Bloomberg

**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 the 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.*

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