

Gold rallies as Dollar sags amid mounting U.S.- China trade angst post Fed Meeting

Reports that President Trump was preparing to put tariffs on billions of dollars of Chinese goods as early as Friday raised concerns in the market that economic growth would be impacted. This saw some safe-haven buying emerge. Investor demand was also supported by a slightly weaker U.S. dollar in the wake of the Fed decision to raise interest rates.

Federal Reserve officials raised interest rates for the second time this year

- Fed upgraded their forecast to four increases in 2018. Fed policymakers expected four or more quarter-point rate increases for the full year, compared with seven officials during the forecast round in March.
- The number viewing three or fewer hikes as appropriate fell to seven from eight.
- The median estimate implied three increases in 2019, to put the rate above the level where officials see policy neither stimulating nor restraining the economy.

ECB may announce an end to the institution's asset-purchase program - (ECB Meeting today at 5:15 p.m.)

- European Central Bank President Mario Draghi to announce on Thursday an end to the institution's asset-purchase program as the immediate risks surrounding Italian politics subside.
- Traders have been emboldened by the likes of ECB Chief Economist Peter Praet, who signaled last week that the meeting could be pivotal in deciding on an end date for quantitative easing.

Source: Reuters, Bloomberg

Our view: Gold may turn bullish on hold and trade above \$1308 per troy ounce, stuck up in this range of \$1281-\$1308 per troy ounce from last three weeks, next level of resistance is seen near \$1321 per troy ounce and \$1351 per troy ounce in the near term.

Nickel in Shanghai surges as bulls buy on dips

- Shanghai nickel gains the most in two weeks as bulls step in after recent correction. The market for Nickel with focus on EV Batteries is growing with the expansion of this industry sector worldwide. Nickel posts its biggest gain in almost a month on the London Metal Exchange as heavy buying in Shanghai bolsters the bullish outlook for prices.
- **Output of Stainless steel**, which drives two thirds of nickel demand, touched 12.2 million tonnes over the first three months of 2018, after robust growth in 2017.
- **China's steel output climbed** - Nickel is added at over 8% content to high chromium stainless steel, China's steel output climbed to a new record in May as mills in the world's top producer continued to enjoy robust margins amid a seasonal demand spurt.
- Sumitomo Metal Mining Co. estimates that the global nickel deficit is widening.
- **China Real Estate:** China's real estate investment growth slowed in May but remained firm, with sales growth hitting a near one-year high. Property investment rose 9.8 percent in May from the same period a year earlier, compared with a 10.2 percent rise in April, according to Reuters calculation based on National Bureau of Statistics (NBS) data. It grew 10.2 percent in the first five months of the year.
- **Warehouse Stock:** SHFE nickel stocks fell 581 tonnes to 30,635 tonnes as of June 8. Stocks at SHFE warehouses are now down 37.3% since the start of the year. Meanwhile, nickel inventories at London Metal Exchange warehouses fell 972 tonnes to 277,014 tonnes on Wednesday.

Source: Reuters, Bloomberg

Our view: Overall, falling global stocks, expectations of widening deficit coupled with electric vehicle boom will boost nickel prices further. Nickel LME 3M prices rose to the highest levels since 2015, corrected from high of \$16687.50 per ton in April 2018, found momentum back and now the counter is aiming again for those highs. On weekly charts, a fresh breakout above 15840 may push the counter further higher above \$16687 per ton till \$17250 per ton in due course.

Oil prices rebound on Crude, Gasoline Inventory draws

- The Energy Information Administration reported a large crude oil draw of 4.1 million barrels for the week ending June 8, after a 2.1-million-barrel increase a week earlier.
- **Gasoline inventories** - The authority estimated a 2.3-million-barrel draw in inventories, with the average daily production at 10.5 million barrels, versus a hefty 4.6-million-barrel build and daily production of 9.7 million barrels a week earlier.
- **Distillate inventories last week** were down by 2.1 million barrels, which compares with a build of 2.2 million barrels in the prior week. Distillate production in the week ending June 8 averaged 5.1 million barrels daily, versus 5.3 million bpd in the previous two weeks.
- API estimated of a moderate build of 800,000 bpd in crude oil inventories, which fell short of analyst expectations for a draw of 2.74 million barrels.
- **Russia Production** - Russia and Saudi Arabia are exceeding their production quotas ahead of the June 22 meeting of the OPEC+ club. The latest update from that camp is that Russia may offer its partners a return to production rates from October 2016, which most participants in the cut deal took as a basis for the cuts. Russia itself agreed to cut 300,000 bpd from its October production average, which was a record 11.2 million bpd.

Source: Reuters, Bloomberg

Our view: A bullish reversal is seen on the weekly charts as the counter formed a Doji Star pattern, ; further confirmation is seen on cross and close above \$66.49 per barrel this week. Immediate upside can be seen till \$68.60 per barrel and more bullish above this level till \$71.90 per barrel. Short term bearishness will be back in case a negative close below \$64.30 per barrel which is a strong support base.

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