Base metals fall on China data, strong demand may push prices back on track

- Industrial output, investment and retail sales all grew less than expected in May, suggesting further weakness ahead if crackdowns on riskier lending and pollution continue.
- However, supply and demand fundamentals were still good for most industrial metals, with copper, aluminium and nickel, all of which have reached multi-year highs this year likely to see further gains.
- **DOLLAR:** The dollar strengthened sharply against the euro, helping push metals lower, after the European Central Bank said it would not raise interest rates before the middle of next year.
- **TRADE DISPUTE:** U.S. President Donald Trump was due to unveil revisions to a tariff list targeting $50 billion of Chinese goods on Friday, reviving concerns of a trade war that could slow global growth and reduce demand for metals.
- **CHINA METALS OUTPUT**: Nickel production rose 4.3 percent in May from a year earlier to 4.55 million tonnes. Aluminium production was up 1.5 percent at 2.79 million tonnes. China steel output surged to a record level in May, which should support demand for steelmaking ingredients such as nickel and zinc.
- **NICKEL:** Sumitomo Metal Mining, Japan's biggest nickel smelter said a global nickel deficit would grow to 88,000 tonnes this year from 72,000 tonnes in 2017. The metal nonetheless reversed gains seen on Wednesday to finish 2.1 percent lower at $15,290 a tonne.

Source: Reuters

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

Gold hit a two week high as the dollar fell

- Investors fretted over weak Chinese data and U.S.-China trade frictions, though the precious metal's upside was capped by a slightly more hawkish Federal Reserve. Gold prices shot to the highest level in a month after the ECB policy announcement struck a decidedly dovish tone, as expected.
- **The dollar** edged back against the euro as speculation grows that the European Central Bank (ECB) will signal an end date for its vast stimulus programme at its policy meeting, giving back all its gains following Wednesday's Fed meeting.
- Looking ahead, an uptick in **US consumer confidence** may reinforce this week's hawkish Fed policy announcement, boosting rate hike expectations and sending gold lower as the greenback extends upwards. A sentiment gauge from the University of Michigan is expected to rise in June after two months of moderation (Data is scheduled to release today evening at 6 p.m. IST).

Source: Reuters, Bloomberg

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

Key OPEC Meeting next week, which is keeping Oil prices in a tight range

- **OPEC Meeting on June 22**: Movements in oil markets were expected to remain limited ahead of a meeting between producer cartel OPEC and some of its allies on June 22,. Investors continue to fear that OPEC could ease production curbs at this meeting to offset falling supplies in Venezuela ; further, there are signs of an expected drop in Iran oil exports as U.S. sanctions loom.

- **Saudi Arabia and Russia** indicated ahead of the OPEC meeting in Vienna next week that production could rise.

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. An 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 of a negative close below $64.30 per barrel which is a strong support base.*

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