

## RBI Monetary Policy meeting on Interest Rate, **decision** on Wednesday - market expects a rate hike

- The Reserve Bank of India (RBI) is poised to raise interest rates for the first time since January 2014.
- The anticipated increase could put a dent on growth prospects, which had recovered after the blows sustained from the November 2016 Demonetization exercise and the bumpy July 2017 launch of the Goods and Services Tax (GST) regulation, for the record, India has reported a stellar 7.7 percent annual growth rate for the quarter ended March 31, 2018.
- Retail inflation, a key data for RBI, has remained above 4 percent since November 2017.
- A sharp increase in global oil prices has hit the Indian economy hard and the Rupee, which was among the best performing Asian currencies last year, has actually been one of the worst performers in the year 2018.
- A Reuters poll before the January-March 2018 growth data showed that 40 percent of nearly 60 respondents expect a rate hike on Wednesday, while nearly 70 percent of nearly 44 respondents projected a rate hike in August - a sharp contrast to an April survey seeing an increase only in 2019's second half.

Source: Reuters

*Our view: In the event of a rate hike, we expect short covering in USDINR, leading to a small correction in Gold prices from current levels. Although we do not expect the upcoming RBI Policy to have any pronounced impact on gold, we are closely monitoring the progress of the monsoon, as well as RBI's response to the weakening Rupee and rising bond yields*

## Gold trades lower on strong dollar, China's Gold Imports seen declining in 2018

- Gold prices were lower on Tuesday as the dollar stayed firm and remained well above the 94 value. Dollar Spot Index has remained flat this week, holding on to 7 weeks of gains.
- Open interest in gold, the tally of outstanding futures contracts, plunged to their lowest this year, demonstrating tepid investor demand.
- China's Gold Imports are seen declining in 2018 as equities Favored-Mainland China may import approximately 500 to 600 metric tons. Net purchases were 602 tons last year, as per the data obtained from the Hong Kong Census and Statistics Department.

Source: Bloomberg

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

**Crude dropped more than 3% this month following Saudi Arabia and Russian discussions about relaxing output curbs**

- Crude oil prices are trading lower as signs of an ongoing expansion in the U.S. output and uncertainty over whether OPEC would ease production limits continued to weigh in on sentiments.
- The number of oil rigs operating in the US increased by 2 to 861, which is the highest level since March 13, 2015.
- U.S. oil output rose 215,000 barrels per day to a record 10.47 million barrels per day in March 2018.
- OPEC pumped 31.9m b/d last month, unchanged from revised levels for April ; April's output was lowest in a year.
- U.S. inventories dropped by an estimated 3m bbl last week.

Source: Bloomberg

*Our view: Brent Oil futures contracts which corrected from the recent high of 80.49 are finding support near \$75 and minor buying in these areas is keeping prices higher but a bullish move is possible only if the counter closes and holds above 78.80 on daily closing basis. Any break below \$75 may put prices under pressure and will lead to a downfall till \$72.30 and further declines below this level till \$70.40.*

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