
Fed sounded 'neutral' against its expectation to be 'dovish', pushed oil prices down
Gold drops after fed sounded 'neutral', dampening the hopes for more rate cuts
US-China trade talks ended without any progress, giving a downward push to copper prices
Rupee found support from strong PMI number, India's factory activity increased in July

FED SOUNDED 'NEUTRAL' AGAINST ITS EXPECTATION TO BE 'DOVISH', PUSHED OIL PRICES DOWN DESPITE LARGE DROP IN INVENTORIES

- ▲ US Federal Reserve sounded 'neutral' against the market's expectation of it to be 'dovish', pushed oil prices down. The US central bank reduced its benchmark rate by a quarter-point to a range of 2% to 2.25%. It's the first-rate cut since December 2008 which was the duration of the depths due to the Great Recession.
- ▲ Meanwhile, US crude oil inventories dropped by 8.5 million barrels in the week of July 26 to 436.50 million barrel against market expectation of 1.82 million barrels. In distillate fuels, the authority reported a 900,000-barrel fall, which compared with an increase of 600,000 bpd a week earlier.
- ▲ Crude oil lost ground after US-China trade talks ended without any agreement.

Outlook

- ▲ ICE Brent oil is likely to trade in the range of \$62.50-64.70 per barrel this week with a negative trend after 'neutral' fed policy stance and failed trade talks between US-China. Although crude oil may receive support at lower levels from the US oil inventory report. US crude oil inventories dropped by 8.5 million barrels against market expectation of 1.82 million barrels in the week of July 26.

GOLD DROPS AFTER FED SOUNDED 'NEUTRAL', DAMPENING THE HOPES FOR MORE RATE CUTS

- ▲ Gold prices dropped to two-week lows after the U.S. Federal Reserve cut rates by 25 basis points as expected but tampered market expectations of having more rate cuts later this year. Fed Chair Jerome Powell, speaking in a news conference after the release of the central bank's statement, characterized Wednesday's rate cut as "a mid-cycle adjustment to policy".
- ▲ The dollar index traders near a multi-month high against other currencies also pushed gold prices down.
- ▲ US-China trade talks did not progress as expected. Gold is a preferred haven during times of economic and political uncertainties.
- ▲ Holdings of SPDR Gold Trust fund fell 0.18% to 823.42 tonnes on Wednesday from Tuesday.
- ▲ WGC Report - India's gold demand to soften in third-quarter on price rise, rural distress, WGC forecast India's gold consumption in 2019 at 750 to 850 tonnes, from 760.4 tonnes last year and a 10-year average of 838 tonnes. Meanwhile, scrap gold supplies in India could increase 15 percent in 2019 to around 100 tonnes as the rally in local gold prices prompts consumers to sell old trinkets and jewelry.

Outlook

- ▲ Gold prices traded negative after Fed policy meeting. Fed sounded 'hawkish' against expectations although it did cut interest rate by 25bps just to adjust policy according to the current environment instead of adopting aggressive rate cut policy in the coming month. Gold breaks the support level of 1411 may push counter back to 1400-1380 in the near term. Immediate resistance could be seen around \$1435.

US-CHINA TRADE TALKS ENDED WITHOUT ANY PROGRESS, GIVING A DOWNWARD PUSH TO COPPER PRICES

- ▲ Copper expected to remain weak as US-China trade talks ended with little progress. US-China is expected to meet again in September to continue their trade talks. US-China discussed all key issues such as "forced technology transfer, intellectual property rights, services, non-tariff barriers, and agriculture"; China has also assured to purchase American agricultural products, however, they are far from coming to any agreement.
- ▲ Copper remains weak after report of China's factory activity which contracted in July, a private survey shows. The Caixin/Markit factory Purchasing Managers' Index (PMI) was 49.9 in July — slightly better than expected, but still in contractionary territory.
- ▲ Non-manufacturing PMI for July was 53.7 compared to 54.2 in June.
- ▲ Copper prices dropped last week as comments from European Central Bank President Mario Draghi were less dovish than market expectations after the bank held rates steady at its latest meeting.

Outlook

- ▲ Copper could trade in a range with a negative trend over little progress in US-China trade talks. Fed also diminished hoped for a further rate cut in September after a 'Neutral' commentary against the market's 'dovish' expectations. Copper could find minor support near 5900 while immediate resistance is seen near 6078-6191.

RUPEE FOUND SUPPORT FROM STRONG PMI NUMBER, INDIA'S FACTORY ACTIVITY INCREASED IN JULY

- ▲ India's factory activity accelerated in July as domestic demand and output strengthened, encouraging firms to hire at the fastest rate in five months. The Nikkei Manufacturing Purchasing Managers' Index, compiled by IHS Markit, rose to 52.5 in July from June's 52.1.
- ▲ But still Rupee under pressure on FII's outflow. Most Asian currencies slip after firm US GDP lifts dollar index. A neutral policy statement from the Fed pushed other currencies down against the dollar.
- ▲ Bond yields could drop further on the expectation of RBI interest rate cut in the next meeting. RBI meeting begins from 5th Aug

FII and DII Data

- ▲ Foreign Funds (FII's) sold shares worth Rs.1497.07 Crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs.2479.38 crore on July 30th.
- ▲ In July'19, FII's net sold shares worth Rs. 16870 crores, while DII's were net buyers to the tune of Rs. 20394 crores.

Outlook

- ▲ FIIs outflow continued in July to Rs.15373 crore following a trend from consecutively last two months while domestic institutional investors remained supportive. Indian rupee may remain negative while in range of 69.40-68.70. A drop in crude oil prices and strong PMI number will support Indian rupee in the near term. India's PMI rose to 52.5 in July against June 52.10. The RBI meeting begins from 5th Aug next week and will conclude on 7th Aug, we expect the central bank to cut interest rate by 25bp.

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Prepared by:

Mr. Kamlesh Jogi | Market Research Analyst

email: kamlesh.jogi@abans.co.in

Phone: +91 22 68354176 (Direct)

Abans Broking Services (P) Limited

36, 37, 38A, 3rd Floor, 227 Nariman Bhavan, Backbay Reclamation, Nariman Point, Mumbai-400 021

Phone +91 22 61790000 | Fax +91 22 61790000

Email: info@abans.co.in | Website: www.abans.co.in

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