
Saudi, Russia support for supply cuts, eyes on OPEC meeting

Gold slips as US-China trade talk increase risk Appetite

Copper near multi-week high on US-China trade talks

China steel rebar rally continued on higher iron prices and demand outlook

The rupee rose on optimism from US-China trade talks after G20 meeting, Eyes on Budget this week

SAUDI, RUSSIA SUPPORT FOR SUPPLY CUTS, EYES ON OPEC MEETING

- ▲ Saudi Arabia, Russia, Iraq are in favor of an extension of supply cuts of 1.2 million barrels per day (bpd) for another six to nine months. OPEC+ members meeting on July 1-2 to discuss supply cuts.
- ▲ U.S. crude oil output in April rose to a fresh monthly high of 12.16 million bpd. Rising U.S. supplies are keeping prices under pressure along with fear of economic slowdown.
- ▲ The total number of active oil rigs in the United States rose by 4 reaching 793. The number of active gas rigs decreased by 4 to reach 173.
- ▲ For the week ending on June 25, Net long for crude oil futures increased +15716 contracts to 378803 for the week. Speculative long positions fell -5808 contracts but shorts declined -21524 contracts.

Outlook

- ▲ Brent oil may sustain recent gains from rising geopolitical tension in the Middle East, increased demand outlook from US-China trade talk and oil production cut talks in OPEC meeting. Immediate resistance is seen around \$67 per barrel while the key support level is seen around \$65.60 per barrel.

GOLD SLIPS AS US-CHINA TRADE TALK INCREASE RISK APPETITE

- ▲ Gold prices drop after optimism over US-China trade talk, which is considered to increase the risk appetite. The US and China agreed to restart trade talks after President Donald Trump talked of no new tariffs and an easing of restrictions on tech company Huawei.
- ▲ SPDR Gold Trust holdings fell 0.22% to 794.04 tonnes on Friday from 795.80 tonnes on Thursday.
- ▲ For the week ending of June 25, net long for gold futures surged +32231 contracts to 236 554. Speculative long positions surged +23475 contracts, while shorts declined -8756.

Outlook

- ▲ Spot gold is looking weak on strong dollar and optimism over US-China trade talks. But geopolitical issues such as the tension between the US and Iran may keep losses limited. Immediate support can be seen around \$1382 per ounce while critical resistance remains near \$1425 per ounce.

COPPER NEAR MULTI-WEEK HIGH DUE TO US-CHINA TRADE TALKS

- ▲ Copper rallied to six week high after the United States and China agreed to restart trade talks. President Donald Trump talked of no new tariffs and an easing of restrictions on tech company Huawei.
- ▲ China's factory activity fell in June amid flat demand from US-China trade war.
- ▲ China Caixin manufacturing PMI shows activity shrank in June, The poor manufacturing data may push government for stimulus. The purchasing managers' index slipped to a five-month low of 49.4 in June, from 50.2 in May

Mining news

- ▲ Labor unions at Chile's Chuquibambilla mine voted to accept the latest contract offer from Codelco, ending a two-week-long strike.
- ▲ Death toll rises to 43 at Glencore Copper and Cobalt mine in Congo after a collapse.

Outlook

- ▲ LME Copper 3M contract has given consolidation breakout above \$6062 per ton on rising optimism from US-China trade talks. The purchasing managers' index slipped to a five-month low of 49.4 in June, from 50.2 in May; Copper prices also found the support that the Chinese government may support the

economy with stimulus. Important support is seen around 5950 while important resistance is seen around 6142.

CHINA STEEL REBAR RALLY CONTINUED ON HIGHER IRON PRICES AND DEMAND OUTLOOK

- ▲ Steel prices surge extending a rally driven by tight supply and pick-up in short-term demand.
- ▲ Iron ore price rallied as stocked at China's ports have fallen to the lowest levels since early 2017 largely due to reduced supply from Brazil.
- ▲ Iron ore prices are up by 47% since the last quarter of 2016.
- ▲ Supply from Brazil could be recovering as Vale has resumed full operations at Brucutu.

THE RUPEE ROSE ON OPTIMISM FROM US-CHINA TRADE TALKS AFTER G20 MEETING, EYES ON BUDGET THIS WEEK

- ▲ Indian government bonds traded higher in early session after gains in the local currency post rising optimism from US-China trade talks after G-20 meeting. The U.S. agreed to suspend new tariffs on Chinese shipments.
- ▲ The Budget-2019 from the newly elected Modi government will be presented this week on July 5. The market expects the budget 2019 to retain the divestment target at Rs. 90,000 crores. The Finance minister is meeting with various industry experts before the Budget presentation.
- ▲ The Nikkei India Purchasing Managers Index eased to 52.1 in June from 52.7 in the previous month, may keep rupee gains under check.

FII and DII Data

- ▲ Foreign Funds (FII's) sold shares worth Rs. 513.91 Crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs.182.40 crore on June 28th
- ▲ In June'19, FII's net sold shares worth Rs. 541.62 crores, while DII's were net buyers to the tune of Rs. 378.97 crores.

Outlook

- ▲ The Indian rupee is gaining from rising optimism over US-China trade war. Rising crude oil prices from the current levels may push the Indian rupee lower. The rupee is receiving initial support from a dovish Federal Reserve policy. USD-INR could find support near 68.80-68.40 levels, while an important resistance is seen around 70.23 levels.

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