
Brent oil prices under pressure despite large inventory drop
Gold prices bounced after US bond yield dropped aimed at concern over global trade
Copper prices slide as the hope for Chinese government stimulus dimmed
Iron ore future rose to the highest level in five years aimed tight supply
The rupee remains higher ahead of Union budget and economic survey report

BRENT OIL PRICES UNDER PRESSURE DESPITE LARGE INVENTORY DROP

- ▲ Oil prices remained in range after a steep fall in the previous session. Oil prices received support by extended output cuts by OPEC+ aimed at slowing global economy which could crimp demand. OPEC+ agreed to extend oil supply cuts of 1.2 million bpd until March 2020.
- ▲ Morgan Stanley lowered its long-term Brent price forecast to \$60 per barrel from \$65 per barrel while Barclays expects oil demand to grow at its slowest pace since 2011.
- ▲ API Inventory reported a large crude oil inventory draw of 5 million barrels for the week ending June 28 against market expectation of drop of 2.484 million barrels. Inventories at Cushing rose by 882,000 million barrels. US crude oil production fell again this week to 12.1 million bpd. EIA will release its weekly crude oil report today.

Outlook

- ▲ Brent oil dropped from rising concern over the world economy and projected drop in oil demand. OPEC supply cut and geopolitical issues in the Middle East may provide some support at lower levels. Immediate resistance is seen around \$64.20 per barrel while the key support level is seen around \$61.40 per barrel.

GOLD PRICES BOUNCED AFTER US BOND YIELD DROPPED AIMED AT CONCERN OVER GLOBAL TRADE

- ▲ Gold prices rallied and received support from weak dollar aimed concern over global trade. Safe-haven demand increased from trade concern, U.S. yields dropped.
- ▲ U.S. trade talks with China will take time to get the right deal made.
- ▲ The European Union is said to be open to talks with the US over aircraft subsidies while preparing retaliation after U.S. action on EU products.
- ▲ U.S. interest rate futures rallied as traders raised bets that the Federal Reserve decided to lower borrowing costs by the end of July.
- ▲ The Governor of Bank of England, Mark Carney, said a global trade war and a no-deal Brexit were growing risks to Britain's economy and that they may need more help to cope with a downturn.
- ▲ India's gold imports rose 12.6% in June from a year earlier to \$2.69 billion amid a jump in global prices to six-year highs.
- ▲ SPDR Gold Trust holdings fell 0.22 percent to 798.44 tonnes on Tuesday from 800.20 tonnes on Monday.

Outlook

- ▲ Spot gold is looking strong on the weak dollar as optimism over US-China trade talk fades and concern over world economic slowdown increases. Geopolitical issues such as the tension between the US and Iran may also support precious metals. Immediate support can be seen around \$1408 per ounce while critical resistance remains near \$1442 per ounce.

COPPER PRICES SLIDE AS THE HOPE FOR CHINESE GOVERNMENT STIMULUS DIMMED

- ▲ Copper prices slide as demand prospect decreased after weak economic data. China's factory activity unexpectedly shrank in June. Chinese domestic and export demand may slump further and put strains on its vast manufacturing sector.
- ▲ U.S. manufacturing activity also slowed to near a three-year low in June, the third straight month of declines, with a measure of new orders received by factories tumbling.

- ▲ 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.

Outlook

- ▲ Copper lost momentum from US-China trade talks after weak PMI data. The purchasing managers' index slipped to a five-month low of 49.4 in June, from 50.2 in May; Copper prices also lost ground that the Chinese government may not provide economic stimulus as expected earlier. Important support is seen around 5830-5780 while important resistance is seen around 5971-6073.

IRON ORE FUTURE ROSE TO THE HIGHEST LEVEL IN FIVE YEARS AIMED TIGHT SUPPLY

- ▲ Brazil's exports fell in June increased expectations of tightness in supply to China. Supplier from Brazil and Australia has lowered their 2019 output and export estimates due to operational issues and bad weather.
- ▲ Steel futures pulled down from multi-year peaks after a Chinese central bank adviser said the domestic economy would not need "very big" stimulus measures.

THE RUPEE REMAINS HIGHER AHEAD OF UNION BUDGET AND ECONOMIC SURVEY REPORT

- ▲ Indian rupee remained higher as there was fall in crude oil amid concern about slowing global growth.
- ▲ Economic growth is high on Indian govt's agenda, Finance Minister Nirmala Sitharaman, said on Tuesday in Parliament
- ▲ The Union Budget-2019 will be presented this week on July 5th, Friday. 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.
- ▲ FII and DII Data
- ▲ Foreign Funds (FII's) sold shares worth Rs. 512.00 Crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs.141.09 crore on July 2nd.
- ▲ In June'19, FII's net sold shares worth Rs. 688.50 crores, while DII's were net buyers to the tune of Rs. 3643.31 crores.

Outlook

- ▲ The Indian rupee is gaining from rising optimism over US-China trade war. Fall in crude oil prices from the current levels may support the Indian rupee further. 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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