
Safe haven appeal pushes gold higher after Trump's tariff threat to Mexico and recession fears
Rupee extended gain against dollar due fall in US bond yields and weakness in crude oil
Oil extends loss; World economic slowdown may lead to lower oil demand
Stimulus hopes could lend support to Copper at lower levels
China iron ore price decline on weak demand outlook

SAFE HAVEN APPEAL PUSHES GOLD HIGHER AFTER TRUMP'S TARIFF THREAT TO MEXICO AND RECESSION FEARS

- ▲ Gold prices rose to the highest level in more than two months on safe-haven appeal. Recession fear mounted following US-China trade tensions and a threat of tariffs on Mexico.
- ▲ Tensions between the US and China escalated during the weekend as two countries clashed over trade, technology and security.
- ▲ Global equity funds have seen outflows of \$10.3 billion in the past week.
- ▲ The market anticipates U.S. Federal Reserve to cut interest rates sooner rather than later, seeing tariff war.
- ▲ Hedge funds and money managers increased their net long positions in Comex gold.
- ▲ Holdings of SPDR Gold Trust rose 0.32 percent to 743.21tonnes on Friday from Thursday.
- ▲ Gold premiums in China rose last week as investors bought the metal as a safe-haven.

Outlook

- ▲ Gold rallied after president trump threaten tariffs on Mexico and rally was further supported by escalating trade tensions between US and China after a war of words on weekend. Geopolitical issues have increased volatility in equities and providing support to precious metals. Gold could find immediate resistance near \$1323-\$1332 while important support remains near \$1306-1285.

RUPEE EXTENDED GAIN AGAINST DOLLAR DUE FALL IN US BOND YIELDS AND WEAKNESS IN CRUDE OIL

- ▲ Equity markets continue to trade range bound with a slight positive bias on declining crude oil prices but price rally was limited due to poor economic data release on Friday.
- ▲ India's GDP tanks to 5.8% in March quarter, India's GDP estimate for the entire financial year 2018-19 was 6.8 percent.
- ▲ Recent employment data are the reason for worry in the economy, as 7.8% in Urban and 5.3% in rural employable youth are currently jobless.
- ▲ Weakness in crude oil prices provides support to rupee along with falling US bond yield.
- ▲ Focus is now shifting to two days RBI meeting this week.
- ▲ FII and DII Data
- ▲ Foreign Funds (FII's) bought shares worth Rs.676.15 crores, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs. 394.06 crore on May 31st.
- ▲ In May'19, FII's net sold shares worth Rs.2135 crores, while DII's were net buyers to the tune of Rs. 5316.34 crores

Outlook

- ▲ The Indian rupee is receiving support from optimism over the new government and softer crude oil prices. Although GDP and employment data released last week limited some gains. USD-INR could find support near 68.80-68.40 levels, while important resistance is seen around 70.23 levels. US-China tariff war continues to exert pressure on global equities and emerging market currencies are expected to be negatively impacted.

OIL EXTENDS LOSS, WORLD ECONOMIC SLOWDOWN MAY LEAD TO LOWER OIL DEMAND

- ▲ Oil prices extended losses amid tension between Mexico and the U.S. Recession fear may lead to lower oil demand this year.
- ▲ Hedge funds and other money managers cut net long on US crude futures in the week ending May 28

- ▲ US oil rigs increased by 3 to reach 800 and the gas rigs decreasing by 2 to reach 184. The combined oil and gas rig count is 984, with oil seeing a 61-rig decrease year on year. The combined oil and gas rig count is down 76 years on year.
- ▲ Oil is not receiving any support from OPEC output cuts and political tensions in the Middle East.

Outlook

- ▲ Brent oil lost ground along with global equities as demand outlook fades over intensifying trade war between US and China and Mexico. Immediate support could be seen around \$60.40-59.10 per barrel meanwhile resistance is seen near \$63.50 and 64.30 per barrel.

STIMULUS HOPES COULD LEND SUPPORT TO COPPER AT LOWER LEVELS

- ▲ Base metals were negative on concerns about the trade war, although Chinese stimulus hopes regained after weak economic data from China.
- ▲ According to a Bloomberg report, world GDP would decline by 0.6% by mid of 2021 as US-China tariff war continues further. US and China are jointly affecting over \$600 worth of world trade by the tariff.
- ▲ China's government said it is willing to work with the U.S. to end an escalating trade war.
- ▲ So far both sides continue to escalate their dispute, imposing higher tariffs, suggesting further levies in the near term, and threatening each other's companies.
- ▲ China's manufacturing sector slowed more than expected, the Caixin manufacturing PMI for May released on Monday was 50.2, unchanged from the previous month.
- ▲ Rising trade tensions and weak data have seen expectations of further stimulus measures in China rise.

Outlook

- ▲ Trade tensions pushed copper lower and it could find support around 5778-5732 on Chinese stimulus hope. Short term trend is still looking weak as world economic slowdown may decrease demand for industrial metals. The copper contract may receive minor support from product shortages and declining inventories, important resistance is seen near 5969-6200.

CHINA IRON ORE PRICE DECLINE ON WEAK DEMAND OUTLOOK

- ▲ Prices of steelmaking raw materials including Iron ore fell in China amid weaker short-term demand for steel.
- ▲ Hopes of government measures and stimulus to the economy could provide some support.
- ▲ Iron ore inventory at Chinese ports fell further last week to the lowest since February 2017 at 124.9 million tonnes

Steel

- ▲ China's factory activity shrank more than expected last month resulted in falling China's steel PMI.
- ▲ Steel Rebar demand is likely to be sluggish during the coming rainy season; construction activity usually slows in China during the rainy season.
- ▲ Steel product inventory with Chinese traders dropped by 188,000 tonnes this week from the prior week to 11.03 million tonnes. Rebar stocks fell to 5.52 million tonnes last week, according to a private survey report.

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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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