
Copper positive on the back of weak Dollar and continued blockade at Las Bambas
Gold kisses the 20-week SMA as Dollar weakens further
Oil softens as US production hits record high along with inventory build
Indian rupee weakens as RBI reduces rates by 25 bps

COPPER POSITIVE ON THE BACK OF WEAK DOLLAR AND CONTINUED BLOCKADE AT LAS BAMBAS EVEN AS OUTPUT CONTINUES

- ▲ Copper is trading flat on Thursday morning after ending on a positive note on Wednesday.
- ▲ Copper production in Peru declined 12.5% in February from the previous month and 1.4% from the previous year for the same month
- ▲ The blockade at Las Bambas: Peruvian judge jails lawyers for 3 years over copper mine blockade. Prosecution alleges lawyers have manipulated villagers to extort MMG. Villagers want lawyers freed before ending road blockades. Blockades have reduced copper output at the mine. Villagers who have blocked the road have demanded that the lawyer be freed before the starting talks.
- ▲ According to a monthly report from the Energy and Mines Ministry Copper production in Peru fell 12.5% in February from the previous month and 1.4% from the previous year.
- ▲ Dollar also weakened yesterday helping copper gain further along with other base metals
- ▲ Chile has reported its lowest production in two years due to heavy rains in Feb 2019, Codelco has also warned that unless government approves plans to modernize its mines and sites the copper output could decline further

Outlook

- ▲ LME Copper prices have found support near its 20-day SMA on the daily charts from where it has bounced back and continue to rise. Mine disruptions along with drying up inventories are supporting prices. Copper may find support around 6285; short-term trend remains positive above this level, meanwhile, immediate resistance is seen near 6545-60 a break above which could take copper further up towards 6700.

GOLD KISSES THE 20-WEEK SMA AS DOLLAR WEAKENS FURTHER

- ▲ Gold took support near \$1285-80 per ounce which is its 20-week SMA support to rebound even though the overall sentiment remains "RISK-ON" due to Sino-U.S. trade negotiations after reports showed that both sides were nearing a deal.
- ▲ Dollar weakness has not only supported equity markets but has also helped gold arrest its decline in the past few sessions. Expect some bounce in the precious metal if dollar weakness continues
- ▲ SPDR gold holdings fall to lowest since 17th Dec.
- ▲ According to the data released on Wednesday private payrolls in US increased by only 129,000 against expectations of 184,000 which is the lowest reading since 2017 September. This elevated the concerns of the slowing US economic growth which gave further support to safe haven assets.
- ▲ US FED has also made it clear that they don't want to raise interest rates for the rest of 2019 which is also aiding dollar weakness and supporting precious metal prices.
- ▲ On Wednesday the UK parliament approved a bill to block no-deal Brexit, the next step is for the PM May to win the withdrawal Brexit deal in the parliament else UK will go into a long Brexit extension

Outlook

- ▲ Comex gold has taken support and is trading flat to positive since the last few days; it took support near its critical demand zone near \$1285-80 which is also its 20-week SMA. We can expect gold to rebound from current levels in the coming sessions. Counter may find some support from ongoing geopolitical issues in Venezuela and Brexit; positive equity markets have not dented the sentiment in precious metal.

OIL SOFTENS AS US PRODUCTION HITS RECORD HIGH ALONG WITH INVENTORY BUILD

- ▲ According to the Energy Information Administration, U.S. crude oil stockpiles increased unexpectedly last week as imports climbed and production edged higher to a fresh record. Crude production climbed 100,000 bpd (barrels per day) to a record 12.2 million bpd, after lingering around 12-12.1 million bpd since mid-February
- ▲ US crude stocks rose 7.2 mn bbls against expectations of a 0.40 mn bbl draw
- ▲ According to Reuters: OPEC oil supply slipped to a four-year-low in March, at 30.40 million bpd,
- ▲ Three of the total eight countries which were given waivers by Washington to buy oil from Iran have completely stopped importing oil from Iran. These waivers have a deadline of May 2nd when the waivers end for India, China, Greece, Italy, Taiwan, Japan, Turkey and South Korea
- ▲ Optimism around the US-China trade deal is keeping crude oil prices supported also the positive trend in the crude oil is also helping it stay positive.

Outlook

- ▲ Optimism about a U.S.-China trade deal, the OPEC cuts, and the U.S. sanctions on Iran and Venezuela continue to push oil prices in the short term. Brent oil could continue to rise as the near term trend remains positive along with positive fundamentals. Brent may continue its positive up move towards 70-71.00.

INDIAN RUPEE WEAKENS AS RBI REDUCES RATES BY 25BPS

- ▲ The rupee opened weak and continued to weaken further snapping its three day rally after the much awaited rate cut by the RBI
- ▲ The RBI (Reserve Bank of India) today cut its repo rate by 25 basis points to 6 per cent — the second consecutive rate cut under new RBI Governor Shaktikanta Das. The monetary policy committee decided to maintain the neutral monetary policy stance. The panel voted 4-2 in favor of the rate cut.
- ▲ The MPC is of the view that: The output gap remains negative and the domestic economy is facing headwinds, especially on the global front. It is hence imperative to strengthen domestic growth impulses by spurring private investment which has remained sluggish. Medium-term target for CPI (consumer price index) inflation of 4 percent within a band of +/- 2 percent while backing growth
- ▲ Crude oil prices continue to raise putting pressure on the Rupee, trend for crude remains positive and we can expect further strength for crude in the near term. Gold has also found some support and we expect it to rebound in the near term which could add pressure on the Rupee. Further a rate cut has already weakened the Rupee on Thursday.
- ▲ Equity markets also experienced some correction after the RBI policy, we can expect some Rupee weakness in the coming sessions. If gold rebound further which we expect to then there would be multiple factors acting against the Rupee in the coming sessions to push Rupee lower.

FII and DII Data

- ▲ Foreign funds (FII's) sold shares worth Rs. 1040.48 crore, while Domestic Institutional Investors (DII's) sold shares to the tune of Rs 80.83 crore on 3rd April
- ▲ In April 2019 FIIs net bought shares worth Rs 401.67 crore, while DII's were net sellers to the tune of Rs.1551.34 crore.

Outlook

- ▲ The current weakness in the Rupee against Dollar may continue further. A rate cut has weakened the Rupee and the sentiment seems to be changing against the Rupee. Gold at support, stretched crude oil prices and some selling in the equity markets could put pressure on the Rupee in the coming sessions. While the pair sustains above 68.30 we could see a rebound towards 69.20 and 70.00.

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