
Gold rallied on the weak dollar due to escalating trade tensions between the United States and China
Oil prices drop in anticipation of weak demand growth as US-China trade war escalates further
Copper drops to 2-year low aimed trade war concern
Nickel rallied amid renewed worries of an ore export ban from major nickel producer Indonesia.
Rupee plunge after Chinese Yuan slips beyond 7 and Equity sell-off over Kashmir issue

GOLD RALLIED ON THE WEAK DOLLAR DUE TO ESCALATING TRADE TENSIONS BETWEEN THE UNITED STATES AND CHINA

- ▲ Gold to remain firm on escalating trade tensions between the United States and China. China said to retaliate against U.S. President Donald Trump's decision to impose an additional 10% tariff on \$300 billion worth of Chinese imports.
- ▲ Gold also rallied as the tariffs may force the Federal Reserve to further cut interest rates to protect the U.S. economy from trade-policy risks. U.S. July employment numbers also showed a slowdown in hiring, which also supports the case for an interest rate cut.
- ▲ Holdings of SPDR Gold Trust fund rose 0.36% to 830.76 tonnes on Friday from Thursday.
- ▲ Hedge funds and money managers raised their bullish positions in COMEX gold contracts in the week to July 30.
- ▲ Physical gold demand remains mixed in India as consumers cashed due to rally in prices to a lifetime high. Scrap gold supply may increase due to higher prices while import may drop this year.

Outlook

- ▲ Gold prices rallied after President Trump announced to put an additional tariff on Chinese goods worth of \$300bn, and China said to retaliate over the tariff. Weak US employment number for July month have increased a possibility for a further interest rate cut of US federal reserve which may support gold prices further in near term along with US-China trade tension.

OIL PRICES DROP IN ANTICIPATION OF WEAK DEMAND GROWTH AS US-CHINA TRADE WAR ESCALATES FURTHER

- ▲ Oil prices remain under pressure amid concerns about weaker demand after US President Donald Trump said he would impose tariffs on more Chinese imports. China also responded that it will imply retaliatory tariff after the US implements tariffs.
- ▲ Geopolitical tension kept on increasing after Iran claimed to seize a vessel in the Persian Gulf, the third time after US-Iran tension mounted.
- ▲ US Federal Reserve sounded 'neutral' against the market's expectation of it to be 'dovish', which pushed oil prices down.
- ▲ US crude oil exports surged by 260,000 barrels per day (bpd) in June to a monthly record of 3.16 million bpd, suggesting there is plenty of oil in the market.
- ▲ Meanwhile, US crude oil inventories dropped by 8.5 million barrels to 436.50 million barrel in the week of July 26, against market expectation of 1.82 million barrels. In distillate fuels, the authority reported a 900,000-barrel fall, as compared to an increase of 600,000 bpd a week earlier.
- ▲ Crude oil lost ground after US-China trade talks ended without any agreement.
- ▲ CFTC Report- Net long positions for crude oil futures declined -10560 contracts to 387291 for the week. Speculative long positions gained +2298 contracts and shorts jumped +12858 contracts.
- ▲ US oil rig count -The total number of active oil rigs fell by 6 reaching to 770 while the number of active gas rigs increased by 2 to reach 171.

Outlook

- ▲ ICE Brent oil is likely to trade with negative trend in the range of \$62.50-64.70 per barrel this week after fed policy stance being 'neutral' and poor demand outlook after escalation in US-China trade war, although crude oil may receive minor support at lower levels from the US oil inventory report and increasing geopolitical tension in the Persian Gulf. US crude oil inventories dropped by 8.5 million barrels against market expectation of 1.82 million barrels in the week of July 26.

COPPER DROPS TO 2-YEAR LOW AIMED TRADE WAR CONCERN

- ▲ LME Copper 3M contract hits the lowest levels in more than two years after the trade war between the US and China escalated.
- ▲ Trade war will reduce copper demand as the US set to impose more tariffs on Chinese imports and China vowed to fight back.
- ▲ China Yuan tumbled beyond the key level of 7 Yuan per dollar for the first time in more than a decade which indicated that China wants the weaker currency to reduce the impact of US tariff.
- ▲ China's factory activity 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 contradicting territory. Non-manufacturing PMI for July was 53.7 compared to 54.2 in June.
- ▲ US employment situation worsened in July, according to the monthly nonfarm payroll report released on Friday.

Outlook

- ▲ Copper could trade in a range of 5600-5740 with a negative trend after a setback from US-China tariff issue. Fed also diminished hoped for a further rate cut in September after a 'Neutral' commentary against the market's expectations of it to be 'dovish'.

SHANGHAI NICKEL PRICES HIT A FOUR-YEAR HIGH ON RENEWED CONCERNS OF AN EXPORT BAN IN INDONESIA

- ▲ Nickel rallied amid renewed worries of an ore export ban from major nickel producer Indonesia.
- ▲ Indonesia, which is a major source of nickel ore used mainly in the stainless steel industry, had said it would restrict exports of unprocessed ore from 2022 but market speculation is high that Indonesian may advance the ore ban from 2022 to this year.

RUPEE PLUNGE AFTER CHINESE YUAN SLIPS BEYOND 7 AND EQUITY SELL-OFF OVER KASHMIR ISSUE

- ▲ The rupee on Monday cracked as concerns over US-China trade war sent Chinese yuan below 7 and trade sold equities after Kashmir issues flare-up.
- ▲ Rupee may remain under pressure this week aimed at absent of high-frequency economic data, and escalation in the foreign outflow.
- ▲ 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.2888 Crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs.2812 crore on August 2.
- ▲ 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 August which is carried on from last three months consecutively. Indian rupee may remain negative above 70 following a similar trend in other Asian currencies. Meanwhile, the 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 this 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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