
Copper is likely to continue the bullish trend
Crude oil is likely to trade firm

COPPER IS LIKELY TO CONTINUE THE BULLISH TREND

- ▲ Copper prices touched a multiyear high of \$10,037.75 in early hours today and currently holding near \$9,980. LME Copper prices have more than doubled from March 2020. Copper prices have rallied nearly 129% in nearly 14 months from a low of \$4,371 registered in March'20. Copper prices are likely to stay firm on increasing economic optimism in the world economy. Global economic stimulus by leading economies and the Ultra-loose policy stance by central banks are likely to keep supporting industrial metal demand and copper prices.
- ▲ Increasing demand for electrification from leading economies is likely to keep copper prices firm. Goldman Sachs forecasts copper would average \$9,675 a tonne in 2021, \$11,875 a tonne in 2022, and \$12,000 a tonne in 2023. Also, Bank of America has predicted in a research note that Copper could spike to \$13,000 a tonne in the coming months, partially over low inventories.
- ▲ International Copper Study Group (ICSG) has predicted that world copper mine production, adjusted for historical disruption factors, will increase by roughly 3.5 percent this year and by 3.7 percent in 2022 after remaining practically unchanged for three years. Refined copper production would rise by roughly 3 percent in 2021 and in 2022. This follows a 1.6 percent increase in 2020. World refined copper balance projections indicate a surplus of about 80,000 metric tons for 2021 and 110,000 metric tons for 2022. After a significant deficit in 2020 of about 600,000 metric tons arising from a significant increase in Chinese apparent refined copper use, it predicts smaller market surpluses in 2021 and 2022. However, Reuters report suggests that it is unlikely to be a surplus scenario for copper in coming years.
- ▲ Tuesday's global economic data was mixed for economic growth and industrial metals demand. On the positive side, the UK Apr Markit manufacturing PMI was revised upward to 60.9 from the originally reported 60.7, the fastest pace of expansion in 26-3/4 years. However, US Mar factory orders rose +1.1% m/m and +1.7% m/m ex-transportation, against expectations of +1.3% m/m and +1.8% m/m ex-transportation. Also, the U.S. Mar trade deficit widened to a record -\$74.4 billion (data from 1992), which has negative implications for U.S. Q1 GDP.
- ▲ The CFTC data shows that speculators have increased their net long position in COMEX copper for the week ended April 27. Net long has increased by 10,432 lots over the last reporting week, leaving them with a net long of 55,515 lots.
- ▲ The latest data from Chile show that copper output declined for the tenth consecutive month, falling 1.3% YoY to 491.7k mt in March following the implementation of new restrictions on movement. On a quarterly basis, Chilean copper production fell 2.2% YoY to 1.4mt in the first quarter of the year. Copper prices are likely to stay firm due to the output decline in Chile.
- ▲ LME Copper warehouse stock has dropped nearly 16200 mt in the last 7 days and now stands at 132775mt as of 5th May 2021. A recent drop in inventory is indicating strong physical demand.

Outlook

- Increasing economic optimism in the US and China and positive data from Eurozone are likely to support copper prices, it is likely to trade firm while above the key support level of \$9,892-\$9,795.

CRUDE OIL IS LIKELY TO TRADE FIRM

- Crude oil is now trading near \$66.45 is supported by the easing of lockdowns in the US & Europe. It is likely to increase fuel consumption due to eased travel restrictions. The US is easing pandemic curb in New Jersey and Connecticut, also European Union has planned to open up to more foreign visitors who have been fully vaccinated and hold a Digital Green Certificate.
- However, Fuel demand in India has plunged as the recent surge in new Covid infections. The overall global Covid-19 caseload has topped 153.9 million, while the deaths have surged to more than 3.22 million, according to the Johns Hopkins University.
- Global economic data were supportive of industrial growth and energy demand. German Mar retail sales rose +7.7% m/m, against expectations of +3.0% m/m and the biggest increase in 10 months.
- Crude oil prices also found support on the back of OPEC's production data, OPEC Apr crude production fell -50,000 BPD to 25.27 million BPD. OPEC+ continues to show discipline in sticking to its production-cut agreement.
- On the inventory front, as per the EIA report released last week; U.S. crude oil inventories as of April 23 were -0.2% below the seasonal 5-year average, gasoline inventories were -2.6% below the 5-year average, and distillate inventories were right on the 5-year average.
- US rig count data are being watched as an early indication of oil production. As per Baker Hughes report, active U.S. oil rigs fell by -1 rig in the week ended April 30 to 342 rigs, well above August's 15-year low of 172 rigs.
- According to the CFTC Commitments of Traders report for the week ended April 27, net long for crude oil futures plunged by 10,272 contracts to 4,89,711 for the week. Speculative long position slipped by 567 contracts, while shorts declined by 9,705 contracts.

Outlook

- Crude oil prices are likely to stay firm while holding above 20 days EMA of \$63.42 and 50 days EMA of \$61.40, meanwhile, it may find immediate resistance near \$67.59 and \$68.80.

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