DAILY ANALYSIS REPORT

Thursday, June 6, 2019

ABANS

RBI's dovish policy: cut interest rate by 25bp and changed policy stance to accommodative

Global economic growth concern and rising us inventory pushes oil down

Gold rallied on tariff war worries and fed rate hike anticipation

SHFE copper at lowest level in two years on global growth concern

Iron ore futures in china declined aimed supply situation to ease soon

RBI'S DOVISH POLICY: CUT INTEREST RATE BY 25BPS AND CHANGED POLICY STANCE TO ACCOMMODATIVE

- RBI acted as per market expectation of a 25bps rate cut, along with a change in policy stance to accommodative from neutral. Indian rupee gained after policy decision. RBI rate cut was necessitated as India's GDP tanks to 5.8% in March quarter, and employment situation worsened
- The World Bank has maintained India's economic growth at 7.5 per cent for the current fiscal year even as it cut global economic expansion by 0.3 percentage points

.FII and DII Data

- Foreign Funds (FII's) sold shares worth Rs.416.08 crores, while Domestic Institutional Investors (DII's) sold shares to the tune of Rs. 355.42 crore on June 4th.
- In June'19, FII's net bought shares worth Rs.2652.80 crores, while DII's were net sellers to the tune of Rs. 818.11 crores

Outlook

- The Indian rupee is receiving support from optimism over the new government and softer crude oil prices. USD-INR could find support near 68.80-68.40 levels, while important resistance is seen around 70.23 levels. RBI decision to cut interest rate and change in policy stance to 'accommodative' will support currency for short term. Although US-China tariff war continues to exert pressure on global equities and emerging market currencies are expected to be negatively impacted.

GLOBAL ECONOMIC GROWTH CONCERN AND RISING US INVENTORY PUSHES OIL DOWN

- Rising U.S. inventories, trade war concerns and economic fears are key reason behind fresh sell off into crude oil prices.
- According to weekly EIA report, U.S. commercial crude inventories jumped by 6.8 million barrels in the week through May 31.
- U.S. gasoline inventories also rose by 3.2 million barrels while distillates inventories jumped by 4.6 million barrels.
- U.S. oil production jumped to all-time high at 12.4 million bpd
- Concerns around U.S. tariffs on China and Mexico would hurt demand, and continue to linger and hurt sentiments. U.S-China trade war and threats of tariffs on Mexico from the United States are expected to diminish global crude demand, continuing to weigh on oil prices.
- Saudi Arabia's energy minister has signaled OPEC is leaning towards extending output caps into the second half of the year.
- Saudi Arabia pumped 9.65 million barrels of oil per day in May, a deeper cut than its production target of OPEC pact. According to Bloomberg, Saudi Arabia added 170,000 bpd in May, while Iran lost 230,000 bpd; Russian oil production declined by 76,000-bpd decline due to contamination.

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

GOLD RALLIED ON TARIFF WAR WORRIES AND FED RATE HIKE ANTICIPATION

- Safe haven Gold rallied amid escalating U.S.-China trade war and its impact on global growth. The steepening U.S. yield curve shows a case for Federal Reserve rate cuts. Federal Reserve is expected to cut interest rates this year to contain the fallout.
- Market is eying on monthly Nonfarm pay roll data to be released on Friday, ADP Research Institute showed that jobs report is projected to show payrolls rose by 180,000 in May

Outlook

- Gold rallied after president trump threatened 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 $1349-1356 while important support remains near $1321-1304.

SHFE COPPER AT LOWEST LEVELS IN TWO YEARS ON GLOBAL GROWTH CONCERN

- SHFE Copper prices tumbled to lowest in two years, global growth would hurts metals demand.
- The International Monetary Fund cut its China growth forecast for 2019 to 6.2%, threatened tariffs by US on china could cut 2020 global gross domestic product by 0.5%, or about $455 billion.
- Mexican and U.S. officials are set to resume talks in Washington on Thursday aimed at averting an imposition of tariffs on Mexican goods.
- China issued a travel advisory on the U.S. as it anticipate disruption in activities over tariff war
- The U.S. Department of Defense has held talks with miners across the globe about their supplies and reserves outside of China.
- U.S. manufacturing activity fell in May to the lowest since October 2016, adding to a global factory slowdown that weighed on industrial metals this year.
- Federal Reserve President James Bullard says in remarks that suggest a need for rate cuts "soon" aiming global growth concern.
- According to a Bloomberg report, word GDP would decline by 0.6% by mid of 2021 as US-China tariff war continues further. U.S and China are jointly affecting over $600 worth of world trade by the tariff.
- U.S.-China trade war slumping automotive demand, manufacturing activity in the euro zone contracted for a fourth month in May and at a faster pace.

Outlook

- Short term trend continues to remain weak as world economic slowdown may decrease demand for industrial metals. The copper contract may receive minor support from product shortages and declining inventories and a stimulus in china as demand concern are weighing on supply issues. Immediate support could be seen around 5715 while key resistance is seen near 5969-6200.

IRON ORE FUTURES IN CHINA DECLINED AIMED SUPPLY SITUATION TO EASE SOON

- China's iron ore dipped as market expects the supply situation to ease aiming increasing shipments from top miners.
- Vessel-tracking and port data by a third party website shows that iron ore shipment from Australia rose 12% in May from April to 77.98 million tonnes, while departure from Brazil jumped 65% to 28.36 million tonnes in the period.

Steel

- China steel rebar prices also dropped on concerns over weaker demand following the cut of China's GDP to be at 6.2% against 6.3% in the year 2019 according to IMF. Uncertainty around trade tension is the key reason behind a cut in Chinese GDP.
- China's factory activity also shrank more than expected in the previous month resulting in the drop of China's steel PMI.
- Steel Rebar demand is likely to be sluggish during the coming rainy season; construction activity usually slows in China during this season.
- Chinese market will be closed for the Dragon Boat Festival on Friday.

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