
Gold trading in range ahead of US jobs report and Mexico tariff talks
Brent oil recovered marginally on OPEC+ supply talks and optimism over Mexico
Indian rupee in range after RBI meeting; eyes are on the dollar and US jobs report
Optimism over Mexico and stimulus talk in China supported Copper from lower levels
China steel may receive support from stimulus talks

GOLD TRADING IN RANGE AHEAD OF US JOBS REPORT AND MEXICO TARIFF TALKS

- ▲ Gold is trading in a range and maintains the biggest weekly gains in six months. The market is eyeing US jobs report and Mexico trade talks.
- ▲ Monthly Nonfarm payroll data will be released later in the day, U.S. jobs report is projected to show payrolls rose by 180,000 in May
- ▲ Mexico is pushing for more time to negotiate, it is speculated that tariff may be deferred as talks are already in place.
- ▲ Fed meeting is on 18-19 June; central banks may cut interest rate this time to keep China and Mexico trade war impact limited.
- ▲ The IMF upgraded its U.S. growth outlook with a warning that further escalation in trade tensions may lead to a significant downturn in financial markets

Outlook

- ▲ Gold rallied after president trump threatened tariffs on Mexico but tension cooled on news of negotiation. The market is eyeing Mexico trade negotiation along with US jobs report and optimism over expected fed interest rate cut. 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.

BRENT OIL RECOVERED MARGINALLY ON OPEC+ SUPPLY TALKS AND OPTIMISM OVER MEXICO

- ▲ Oil prices rose from five-month lows over a report that Washington could postpone trade tariffs on Mexico and signing of OPEC+ may extend crude supply cuts.
- ▲ Although sentiment on oil prices still remains dim as signs of a stalling global economy persist and growing U.S. crude supply may keep oil's rally limited.
- ▲ Oil prices are supported by supply curbs by the OPEC and some allies including Russia. Supply has also been limited by U.S. sanctions on oil exports from Iran and Venezuela.
- ▲ Venezuela's oil exports dropped 17% in May because of the sanctions. The U.S. government plans to take further economic actions in the coming weeks.
- ▲ According to the weekly EIA report, U.S. commercial crude inventories jumped by 6.8 million barrels in the week ending on May 31st. 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 an all-time high at 12.4 million bpd

Outlook

- ▲ Brent oil lost ground along with global equities as demand outlook fades over intensifying trade war between US-China and U.S - 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

INDIAN RUPEE IN RANGE AFTER RBI MEETING; EYES ARE ON THE DOLLAR AND US JOBS REPORT

- ▲ Indian rupee found initial support after RBI meeting, the central bank acted dovish as per the market expectation of a 25bps rate cut, along with a change in policy stance to be accommodative from neutral. The Indian rupee gained after policy decision. RBI rate cut was necessitated after India's GDP tanks to 5.8% in the March quarter, and employment situation worsened.
- ▲ RBI lowered growth forecast to 7% from 7.2% for FY20. It also lowered its inflation forecast to 3-3.1% for the first half of 2019-20 and to 3.4-3.7% for the second half of 2019-20.
- ▲ Crude oil limited rupee gains as oil prices recovered from recent lows on Venezuela's concern and optimism over Mexico. The market now eyes on US jobs report that is to be released today.

FII and DII Data

- Foreign Funds (FII's) sold shares worth Rs.1448.99 crores, while Domestic Institutional Investors (DII's) sold shares to the tune of Rs. 650.84 crore on June 6th.
- In June'19, FII's net bought shares worth Rs.1203.81 crores, while DII's were net sellers to the tune of Rs. 1468.95 crores

Outlook

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

OPTIMISM OVER MEXICO AND STIMULUS TALK IN CHINA SUPPORTED COPPER FROM LOWER LEVELS

- LME Copper futures rebound as investors weigh the potential impact of China's stimulus and increased optimism over US Mexico tariff talks.
- PBOC- China has "tremendous" room to adjust monetary policy if the trade war with the U.S. deepens.
- Copper demand is set to remain subdued this year, but prices should find support from supply constraints.
- The International Monetary Fund cut its China growth forecast for 2019 to 6.2%, threatened tariffs by the US on China could cut the 2020 global gross domestic product by 0.5%, or about \$455 billion.
- According to a Bloomberg report, world 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 billion worth of world trade by the tariff.
- U.S.-China trade war slumping automotive demand, manufacturing activity in the euro zone contracted for the consecutive 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.

CHINA STEEL MAY RECEIVE SUPPORT FROM STIMULUS TALKS

- Falling port iron ore stockpiles and the potential impact of China's stimulus may support steel prices.
- 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.
- China unveiled a plan to spur demand for autos and electronics amid escalating trade tensions with the U.S.
- Local governments will be banned from placing any new restrictions on car purchases or limits on using new-energy vehicles, the National Development and Reform Commission said.
- Chinese markets are closed today due to the Dragon Boat Festival.

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