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The global resurgence of Covid-19 infections affecting Oil demand  
Gold prices likely to remain firm on Dovish global central bank policy commitment

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## The global resurgence of Covid-19 infections affecting Oil demand

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- ▲ WTI Crude oil is trading near \$64.91 per barrel, marginally lower from the recent high of \$66.75 per barrel registered on May 5. Immediate demand concern in India and Japan is likely to keep a cap on rising oil prices. However, prices are still higher from last month's low of \$57.63 per barrel on increasing global manufacturing activity in the first few months of 2021. We expect Crude oil demand loss in India and Japan which is likely to get compensated from easing lockdown in the US and Eurozone.
- ▲ As per an NYT report yesterday, the number of vaccinations administered against the coronavirus has reached more than 1.21 billion globally. Still rising coronavirus cases globally are a major cause of concern. The overall global Covid-19 caseload has topped 155.6 million, while the deaths have surged to more than 3.25 million, according to Johns Hopkins University.
- ▲ Rising Covid-19 cases in India are affecting demand, gasoline sales in India for the month of April fell to 2.14 MMT, the lowest in 8 months.
- ▲ On the economic data front, US weekly initial unemployment claims fell -92,000 to a 13-1/2 month low of 498,000, against expectations of 538,000. Also, Eurozone Mar retail sales rose +2.7% m/m, against expectations of +1.6% m/m. In addition, German Mar factory orders rose +3.0% m/m, against expectations of +1.5% m/m and the biggest increase in 5 months. Finally, Japan Apr vehicle sales rose +22.2% y/y, the biggest increase in 6 months.
- ▲ As per the weekly EIA report, US crude oil inventories as of April 30 were -1.7% below the seasonal 5-year average, gasoline inventories were -1.9% below the 5-year average, and distillate inventories were -2.5% below the 5-year average. US crude oil production in the week ended April 30 was unchanged w/w at 10.9 million BPD and was down by -2.2 million BPD (-16.8%) from the Feb-2020 record-high of 13.1 million BPD.

### Outlook

- ▲ Crude oil prices are likely to trade positive while above the key support level of 20 days EMA of \$63.51 per barrel and 50 days EMA of \$61.61 per barrel. It may face stiff resistance near \$67.20 per barrel

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## Gold prices likely to remain firm on Dovish global central bank policy commitment

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- ▲ Gold and silver prices rallied this week following weakness in the US dollar and rising inflation concerns. US 10-year inflation expectations climbed and the breakeven inflation rate reached a new 8-year high of 2.492% which is supportive for gold prices.

- ▲ However global economic data was bearish for gold prices. US weekly initial unemployment claims fell indicating a stronger labour market. Also, Eurozone Mar retail sales rose more than expectations. German Mar factory orders were also higher than anticipation.
- ▲ BOE Governor Baily said uncertainty about the pandemic remains a risk to the UK and that the BOE has no new thoughts on unwinding QE. Dovish comments are supportive of gold prices.
- ▲ However gold prices received a setback when Dallas Fed President Kaplan said the risk to the U.S. GDP forecast is likely to the upside, and he wants to see asset tapering talks start sooner rather than later.

## Outlook

- ▲ Gold prices are likely to remain firm due to the worsening Covid-19 pandemic situation which supports dovish central bank policy measures. Gold may trade firm while above key support level of 10 days EMA of \$1,791 and 20 days EMA of \$1,772. It may find stiff resistance near \$1,828-\$1,841.

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