
Crude oil at near five Month high, Libya supply disruption in focus
Gold trading near the highest level in two weeks after Trump threatened new tariffs on European goods
Iron ore futures corrects marginally after hitting a near five-year high.
Copper gains on China stimulus hope and optimism over US-China trade talk
The rupee is trading near the lowest level in one month due to a sharp gain in Brent crude oil prices

CRUDE OIL AT NEAR FIVE MONTHS HIGH, LIBYA SUPPLY DISRUPTION IN FOCUS

- ▲ We anticipate supply disruption in Libya as eastern forces are advancing towards the country's capital, disregarding global appeal for a truce. Violence in Libya may intensify further and is likely to result in low oil production in the coming weeks.
- ▲ Oil prices have rallied in the first quarter of 2019 after the OPEC+ nations which include Russia, agreed to cut output by 1.2 million barrels per day (bpd) to prevent a supply glut. US sanction on Iran and Venezuela have already minimized oil supply and Libya tension may tighten the market further.
- ▲ Crude inventories probably grew by 2.5m bbl to 452m bbl in the week ended April 5, according to Bloomberg survey report. API inventory report will be released today while EIA will release its weekly crude oil inventory report on Wednesday.

Outlook

- ▲ Brent oil may remain higher following supply concerns from OPEC+ nations and US oil imports. Although weakness in economic numbers indicating a slowdown in the global economy this year which may reduce demand. Brent oil has crossed stiff resistance around \$70 per barrel, we see a further bullish move towards \$72.15 and \$73.20 per barrel in the near term. Key support remains near 68.40-66.40

GOLD TRADING NEAR THE HIGHEST LEVEL IN TWO WEEKS AFTER TRUMP THREATENED NEW TARIFFS ON EUROPEAN GOODS

- ▲ Gold trading firm and near its highest level in more than a week after President Donald Trump threatened new tariffs on European goods, increasing uncertainty, and risk.
- ▲ The gold-to-silver ratio is near the highest since 1993 with gold's haven appeal increasing as uncertainties plague financial markets. Silver ETF holding is decreasing and money managers are increasing bearish bet on silver.
- ▲ FOMC Minutes-Gold is also receiving support from Federal Reserve policy comment for the negative outlook on the US economy. We are waiting for FOMC minutes to be released on Wednesday.
- ▲ Brexit-Theresa May will head to Berlin and Paris on Tuesday as part of her efforts to win a short delay to Britain's departure from the European Union.

Outlook

- ▲ Short term recovery in gold prices is a result of weakness in the dollar index, which may face minor resistance around \$1305 while key support remains near \$1285, any break below 1285 level may push prices lower towards \$1277-1265 per ounce in the near term. Higher equities, positive US-China trade talks and FOMC minutes later this week may push the dollar higher which may result in softer gold prices.

IRON ORE FUTURES CORRECTS MARGINALLY AFTER HITTING A NEAR FIVE-YEAR HIGH

- ▲ Iron ore port inventories remain low due to drop in Brazil exports and fire at Rio Tinto group's port operations. Iron ore prices are expected to remain above \$90 in the short term as physical markets tighten since the disruption to Vale's exports, now being felt by importers.
- ▲ Exports from Brazil fell to 4.34 million tons in the week to April 7.
- ▲ A fire broke out on Saturday night in a screen house at Rio Tinto's East Intercourse Island port operation at Pilbara are disturbing supply of iron ore in global markets.

- ▲ According to market expectations, China's economy has bottomed out and growth is likely to pick up in the coming quarters as corporate tax cuts boost the private sector.
- ▲ Japan's crude steel output is estimated to rise by 7.1% to 26.57 million tons this quarter, compared with the previous three months.

COPPER GAINS ON CHINA STIMULUS HOPE AND OPTIMISM OVER US-CHINA TRADE TALK

- ▲ Copper prices rose on Monday on news of fresh stimulus measures in top metals consumer China and hopes for a U.S.-China trade deal.
- ▲ China said on Monday it would relax curbs in many smaller cities and increase infrastructure spending in order to boost economic growth.
- ▲ China also announced measures to encourage financing for small and medium-sized businesses.
- ▲ U.S.-CHINA TRADE: The U.S. Trade Representative said significant work remained ahead of fresh talks due this week, while Chinese state media said the two sides had made "new progress" in the talks.
- ▲ Las Bambas copper mine in Peru is expected to resume normal operations after an indigenous village agreed to end a two-month blockade.
- ▲ Copper conference -Global copper producers are meeting in Chile this week as tightening supply is lifting prices. Project delays after the economic slowdown in the global economy and worries over the U.S-China trade war could hit long-term demand.

Outlook

- ▲ LME 3M Copper remains in the 6400-6550 range this week with slight bullish bias as US-China may reach a trade deal. Increasing LME copper inventories and lower German factory orders have dampened the sentiments though hope for stimulus from the Chinese government may lend support in the near term.

THE RUPEE IS TRADING NEAR THE LOWEST LEVEL IN ONE MONTH DUE TO A SHARP GAIN IN BRENT CRUDE OIL PRICES

- ▲ Brent oil prices rose above \$70 per barrel pushing banks to go long on the dollar. The volatility in crude oil prices may keep dollar movement on edge as OMC demand will increase for the dollar to settle imports.
- ▲ RBI cut its benchmark repo rate by 25 bps to 6% but maintained its policy stance at neutral citing upside risks to the economy. The RBI, which targets inflation at 4% in the medium term, cut forecast for consumer price growth. RBI also downgraded GDP growth forecast for the fy19-20 to 7.2% from 7.4% seen in February.

FII and DII Data

- ▲ Foreign funds (FII's) bought shares worth Rs. 329.60 crore, while Domestic Institutional Investors (DII's) sold shares to the tune of Rs 623.81 crore on April 8th.
- ▲ In April 2019 FIIs net bought shares worth Rs 1302.98 crore, while DIIs were net sellers to the tune of Rs. 1294.57 crore.

Outlook

- ▲ Indian rupee is unable to hold on to any gains post RBI meet which lowered growth forecast in anticipation that lower inflation will create rural distress. Indian rupee is expected to weaken further if crude oil prices continue to trade higher in the near term. USD-INR could find support near 68.80-68.40 while important resistance is seen around 69.69-70.23

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