
Increasing demand optimism to keep Crude prices higher
Weakness in the Dollar is keeping gold at five months high

INCREASING DEMAND OPTIMISM TO KEEP CRUDE PRICES HIGHER

- ▲ WTI Oil price is trading above \$68, which is the highest level of Nov'18. Increasing demand optimism in the US, UK, and Eurozone are likely to keep oil prices higher. The summer driving season officially got underway following the Memorial Day weekend, which has increased fuel consumption in the US i.e. largest energy consumer in the world.
- ▲ Tracking firm GasBuddy said Sunday's U.S. gasoline demand jumped 9.6% above the average of the previous four Sundays, the highest Sunday demand since the summer of 2019. However, negotiators between the U.S., Iran, and European nations in Vienna is likely to keep a cap on the prices. US Secretary of State Blinkin said getting a deal done is a "top priority." Iranian Foreign Ministry Spokesman Saeed Khatibzadeh said that differences remain in talks to reinstate the 2015 nuclear agreement between Iran and world powers. Mr. Khatibzadeh said the main sticking points are around the sequencing of when parties will return to compliance and Iran's ability to verify that US sanctions have been lifted.
- ▲ Meanwhile, the energy market's focus will be shifting towards the OPEC+ meet later today. They are likely to consider the state of the energy market and the group's crude production policy. Expectations are for OPEC+ that it will remain firm to boost crude production and ratify an increase of +840,000 BPD scheduled for July, completing a three-part process to revive 2.0 million BPD of crude output that was halted during the pandemic. Weekly EIA report showed that US crude oil inventories as of May 21 were -1.6% below the seasonal 5-year average, gasoline inventories were -2.9% below the 5-year average, and distillate inventories were -8.0% below the 5-year average. However, US crude oil production in the week ended May 21 was unchanged w/w to 11.0 million BPD and was down by -2.1 million BPD or -16.0% from the Feb-2020 record-high of 13.1 million BPD.
- ▲ According to the CFTC Commitments of Traders report for the week ended May 25, net long for crude oil futures dropped by 457 contracts to 4,75,490 for the week. Speculative long position rose by 13,038 contracts, while shorts soared by 13,495 contracts.

Outlook

- ▲ WTI Crude oil prices are likely to trade firms while above the key support level of 20 days EMA of \$65.47 and 50 days EMA \$63.70 while it may face stiff resistance near \$69.71 and \$71.90

WEAKNESS IN THE DOLLAR IS KEEPING GOLD AT FIVE MONTHS HIGH

- ▲ Gold is currently trading near \$1913 which is the highest level on 11th Jan 2021. Weakness in the US dollar index against other currencies, weakness in global bond yield is keeping gold prices higher.
- ▲ Growing concern about inflation in the US, UK, and Eurozone is also supporting. Gold is used as a hedge against inflation. However gold is likely to get fresh direction from monthly NFP data for May'21 which is scheduled to release later this week.

- ▲ Dovish global central banks and signs of faster price pressures are supportive of gold. ECB Executive Board member Schnabel signal the ECB will maintain its pace of asset purchases and is bullish for precious metals. Schnabel said higher bond yields are a "natural development at a turning point in the recovery," but a premature withdrawal of monetary or fiscal support would be a mistake, and that new data must be assessed before deciding on the pace of bond buying.
- ▲ On the economic data front, Caixin's China manufacturing purchasing managers' index (PMI) rose to 52.0 in May from 51.9 in April, supported by strong new export orders. Eurozone manufacturing activity expanded at a record pace in May. IHS Markit's final Manufacturing Purchasing Managers' Index (PMI) in Eurozone rose to 63.1 in May from April's 62.9, above an initial 62.8 "flash" estimate and the highest reading since the survey began in June 1997. Increasing economic optimism is likely to keep a cap on gold prices as global central banks may taper Covid-19 relief stimulus to some extent to control inflation after seeing positive growth numbers.
- ▲ According to the CFTC Commitments of Traders report for the week ended May 25, net long for gold futures increased by 15753 contracts to 214642 for the week. Speculative long position dropped by 2001 contracts, while shorts dropped by 17754 contracts.

Outlook

- ▲ Gold prices are likely to trade firm while above the key support level of 20 days EMA of \$1875 however it is likely to face stiff resistance near \$1923-1940

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