DAILY ANALYSIS REPORT

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ABANS

Strength in dollar to weigh on gold prices

Concerns about new restrictions due to coronavirus to limit oil demand, eyes on OPEC meeting

Lead has been trading higher with increased consumption in China

STRENGTH IN DOLLAR TO WEIGH ON GOLD PRICES

- Gold prices retreated as investors booked some profits after prices rallied to nine year highs, and investors preferred the dollar as a safe-haven instead of gold, as U.S. coronavirus cases kept on rising. The dollar is climbing and weighing on gold prices. The dollar rallied from a four-week low, as US stocks fell with market sentiments turning cautious, as the United States hit another record high on new coronavirus cases.
- US Federal Reserve officials on Wednesday raised fresh doubts about the durability of the US recovery. Central banks worldwide have slashed interest rates in recent months, providing in some cases, unprecedented amounts of stimulus, to help soften the blow to the economy from the pandemic. Stimulus tends to boost gold, which is considered a hedge against inflation and currency debasement.
- New business surveys in the US have highlighted developing risks from the coronavirus pandemic. A strong economic recovery depends on effective and sustained containment of Covid-19. U.S. surpassed 3 million confirmed coronavirus cases.
- According to the World Gold Council, Investment demand in gold is picking up through ETF's. Gold-backed exchange traded funds added 734 tonnes to their holdings in the first half of 2020 - more than in any previous full year.
- Gold has been benefiting from lower interest rates around the world, and widespread stimulus measures from major central banks, as it is widely viewed as a hedge against inflation and currency debasement.
- Global stimulus measures may cushion economies from the fallout of coronavirus-induced lockdowns. While the Federal Reserve's balance-sheet is continuing to grow due to newly imposed lockdowns in the US, the Fed is also stated to keep interest rates lower till 2022, and this will provide additional support to gold prices.

Outlook

- Gold prices could find strong support near $1,766 per ounce, and could rally towards an immediate high of $1,807 on fundamental support of rising covid cases across the globe. Gold prices are likely to continue their rally on the back of easing monetary policy by central banks. An immediate resistance is seen near 1,807 & 1,850 levels, while critical support is seen around $1706 levels.

CONCERNS ABOUT NEW RESTRICTIONS DUE TO CORONAVIRUS TO LIMIT CRUDE OIL DEMAND, EYES ON OPEC MEETING

- Concerns about renewed coronavirus lockdowns in the United States outweighed signs of a recovery in U.S. gasoline demand, and kept a lid on oil prices. The market is also in a holding pattern ahead of a meeting on July 15, of the market monitoring panel of the Organization of the Petroleum Exporting Countries (OPEC) and its allies. OPEC+, have pledged to slash production by a record 9.7 million barrels per day (bpd) for a third month in July. After July, the cuts are due to taper to 7.7 million bpd until December. However, the current record production cuts of 9.7 million b/d, which is set to expire at the end of July, and ease into curbs of 7.7 million b/d in August, are likely keep traders cautious. The next OPEC+ Joint Ministerial Monitoring Committee (or JMMC) meeting is scheduled for July 15.
- The markets were expecting that economies will show some recovery this quarter, and that demand will gradually start growing, but record daily increases in coronavirus infections this week in the United States have raised concerns about the pace of any recovery. Renewed coronavirus outbreaks in some

parts of the world have added to reasons to expect the recovery to be slow in the months ahead.

- U.S. crude oil production is expected to fall by 600,000 barrels per day (bpd) in 2020, a smaller decline than the 670,000 bpd it forecast previously, according to an EIA report.,
- The U.S. Energy Information Administration has said on Wednesday that for the week ending July 3, U.S. stockpiles rose by 5.7 million barrels, against market expectations of a drop of 3.2 million barrels. However, gasoline and distillate inventories fell more than expected.
- U.S. gasoline demand was falling in areas where lockdowns were being reinstated, although on the East Coast, where coronavirus infections were under control, it was recovering well. The United States reported more than 60,000 new COVID-19 cases on Wednesday, the biggest increase reported by a country in a single day.
- Libya, whose ports have been blockaded since January, is trying to resume exports after the state oil firm lifted force majeure at its Es Sider oil terminal on Wednesday. However, a tanker was prevented from entering the port.

Outlook

- WTI Crude oil prices on Nymex are likely to remain firm on the back of a drop in US production levels, and OPEC production cuts. Crude oil prices could rally towards $43.86 per barrel from current levels. Meanwhile, important support could be seen around $37.20 per barrel.

LEAD HAS BEEN TRADING HIGHER WITH INCREASED CONSUMPTION IN CHINA

- Lead has been trading higher with increased consumption in China; the metal has risen 15.82% since March last week suggesting the trend to be positive in the medium term. Inventory (on warrant) at SHFE has increased by 203% to 18,926 mt from 6,245 mt, while LME inventory has decreased by 13.50% to 45,575 mt from 52,675 since 1st April, 2020. The significant percentage rise in SHFE inventory has happened due to the lower basing effect, as the inventory levels were very low, which usually happens during the Chinese New Year, but this year it was abnormally low, and the increase thereafter, as the inventory shifted from LME to SHFE; this is also the reason why LME inventory has declined, and SHFE inventory has increased. Though the inventory in SHFE has increased, it is likely that the inventory was replenished, because of high demand, coupled with very low inventory and positive import arbitrage, which is still prevalent between the two exchanges. These factors have supported a significant price rise in the metal.
- China's primary lead output increased by 1.58% to 269,000 mt in June 2020 from 264,750 mt in May 2020, while a Year-on-Year rise in production by 22.3% was experienced.

Outlook

- Lead has risen sharply, and is trading above the 20-day SMA, and is near the upper Bollinger band, indicating the trend to be positive in the near term. The metal looks set to rise further towards $1,880 & $1,900 levels, while support is seen at $1,800 & $1,785 levels.

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