
Saudi-Russia supply pledge and Mexico trade agreement pushed oil prices higher
Strength in Asian equities supported the rupee, higher oil prices still a risk
A rally into global equities after Mexico agreement reduced safe-haven demand for Gold
China's unwrought copper imports fell 10.9% after restriction on scrap import from July 1
China iron ore imports rise in May, but supply crunch remains as inventory declines

SAUDI-RUSSIA SUPPLY PLEDGE AND MEXICO TRADE AGREEMENT PUSHED OIL PRICES HIGHER

- ▲ Saudi Arabia and Russia may extend output cuts and similar proposal can be seen in the coming OPEC meeting at Vienna on June 26th.
- ▲ Oil also found support as US drilling activity slowed and World oil demand prospectus improved from US-Mexico trade agreement.
- ▲ The number of active oil and gas rigs in the United States fell by 9 to 975 last week. Oil rig dropped by 11 to 789 while gas rig increased by 2 to 186.
- ▲ CFTC Report- Net long for crude oil futures slumped -38 770 contracts to 400 168 for the week. Speculative long positions plunged -25 486 contracts while shorts rose -13 284.
- ▲ China's crude oil imports slipped to 40.23 million tonnes in May down 8% from an all-time peak in April of 43.73 million tonnes, customs data showed on Monday.

Outlook

- ▲ Brent oil gained from supply concern as US oil rig count drops and OPEC+ members are planning to keep product cut intact. Immediate support could be seen around \$60.40-59.10 per barrel meanwhile resistance is seen near \$63.50 and 64.30 per barrel

STRENGTH IN ASIAN EQUITIES SUPPORTED THE RUPEE, HIGHER OIL PRICES STILL A RISK

- ▲ EM currencies fell on Friday knowing that China may let its currency weaken, though rally into Asian equities supported the domestic market. Rising crude oil prices from the recent low is still posing as a risk.
- ▲ Indian rupee found initial support last week 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.
- ▲ 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.
- ▲ FII and DII Data
- ▲ Foreign Funds (FII's) sold shares worth Rs.478.84 crores, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs. 179.79 crore on June 7th.
- ▲ In June'19, FII's net bought shares worth Rs.724.97 crores, while DII's were net sellers to the tune of Rs. 1289.16 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.

A RALLY INTO GLOBAL EQUITIES AFTER MEXICO AGREEMENT REDUCED SAFE-HAVEN DEMAND FOR GOLD

- ▲ Gold prices have fallen from a recent high after President Donald Trump suspended his plans for tariffs on Mexico. Mexico agreed to take a tough stance on immigration, boosted equities and reduced safe-haven demand for the precious metal.
- ▲ CFTC Report- Hedge funds boosted their long position in bullion at the highest in almost 12 years. Net-long positions for gold futures surged +69427 to 156115 last weeks. Speculative long positions soared

+46014 contracts, while shorts slumped -23413.

- ▲ Fed meeting is due on 18-19 June; central banks may cut interest rate this time to keep trade war impact limited on the US economy. Fed funds futures show a quarter-point cut almost fully priced in for July.
- ▲ The value of China's gold reserves rose to \$79.83 billion in May from \$78.35 billion at the end of April.
- ▲ SPDR Gold Trust's gold holdings fell 0.15% to 756.42 tonnes on Friday from 757.59 tonnes on Thursday.
- ▲ China is preparing to curb some technology exports to the United States and hopes of a Mexico-like settlement in a trade war between the two countries.

Outlook

- ▲ Gold declined after agreement US-Mexico and optimism increased for US-China trade war settlement on similar lines. Gold could find immediate resistance near \$1349-1356 while important support remains near \$1321-1304. Any further strength in dollar index from current levels may push gold prices lower.

CHINA'S UNWROUGHT COPPER IMPORTS FELL 10.9% AFTER RESTRICTION ON SCRAP IMPORT FROM JULY 1

- ▲ Copper demand is set to remain subdued this year, but prices should find support from supply constraints.
- ▲ China May copper imports fell 10.9% on the prior month, China imposed tighter import restriction on scrap copper from July 1st.
- ▲ However, Imports of copper concentrate or partially processed copper ore were 1.84 million tonnes; 10.8% higher from 1.66 million tonnes in April and 17.2% up from 1.57 million tonnes in May 2018
- ▲ LME Copper futures rebound as investors weigh the potential impact of China's stimulus and increased optimism after US-Mexico agreement.
- ▲ PBOC- China has "tremendous" room to adjust monetary policy if the trade war with the U.S. deepens.
- ▲ 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%, near about \$455 billion.

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 IRON ORE IMPORTS RISE IN MAY, BUT SUPPLY CRUNCH REMAINS AS INVENTORY DECLINES

- ▲ China brought in 83.75 million tonnes of iron ore in May, up 3.7% from April but down 11% from May 2018, according to Customs data.
- ▲ For the first five months, China imported 423.92 million tonnes of iron ore, down 5.2% on the same period in 2018.
- ▲ Imported iron ore inventory at Chinese ports have fallen to 124.9 million tonnes, a level was last seen in February 2017 according to a private survey report.

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