
Copper, China's Shares and its Currency rise on hopes for a last-minute trade deal
Shanghai steel recovers on optimism over U.S.-China trade deal
Uncertainty in trade deal keeping gold away from recent support levels
Oil prices recovered on optimism over trade deal which will push world oil demand
Higher oil prices and FII outflow pushed rupee lower

COPPER AT THREE-MONTH LOW ON CONCERNS OVER A POTENTIAL TARIFF WAR BETWEEN US AND CHINA

- ▲ Copper, China's Shares and its Currency rise on hopes for a last-minute trade deal.
- ▲ LME copper and most other industrial metals rose on hopes of easing Sino-U.S. trade tensions.
- ▲ The tariff war is a threat to global economic growth. The U.S. increased tariffs from 10% to 25% on \$200 billion worth of Chinese goods at 12:01 a.m. ET Friday, even though the White House said negotiations will continue. U.S. and China representatives have agreed to continue their trade talks on Friday.
- ▲ U.S. President Donald Trump met with U.S. Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin on Thursday to discuss the negotiations.

Outlook

- ▲ LME 3M Copper could remain in the range above the critical support level of 6150 and below stiff resistance around 6466. Any positive outcome of the 11th round of trade talks between the US and China may provide fresh breakout above 6466 towards 6556-6606 in the near term. The supply situation in Chile and Peru may keep copper supported at lower levels. LME and SHFE warehouse stocks and China's economic conditions are expected to give the market further direction.

SHANGHAI STEEL RECOVERS ON OPTIMISM OVER U.S.-CHINA TRADE DEAL

- ▲ China's steel rebar futures recovered marginally higher following a broader rally across assets. Traders expect the U.S. and China to get closer to a trade deal.
- ▲ China Social Rebar inventories are continuously declining since the second week of March'19
- ▲ China Steel Export - China's steel exports in April of 6.33mn tons were unchanged against the previous month but fell by 2.3% from the previous year. January-April steel exports were higher by 8.3% from the previous year at 23.35mn tons. China's domestic steel prices and profit margins fell sharply in November, starting a gradual recovery only in March that prompted steel mills to offer more supplies into overseas markets.

UNCERTAINTY IN TRADE DEAL KEEPING GOLD AWAY FROM RECENT SUPPORT LEVELS

- ▲ Gold is set for the second weekly advance in three as the U.S. hiked tariffs on more than \$200 billion goods from China on Friday ahead of the second day of crucial trade deal talks between the U.S. and China. China immediately said it would be forced to retaliate.
- ▲ President Donald Trump insisted on Thursday that it was still possible to reach a deal this week.
- ▲ The new tariffs took effect at 12:01 a.m. Washington time Friday, raising tariffs from 10% to 25%
- ▲ Geopolitical tensions increased after the US deployed fighter ships in the Middle East to control the situation with Iran, gold prices found support and recovered from early losses on the back of developments on the Iran front.

Outlook

- ▲ Gold has bounced from its four-month low, on US-China trade talks as president Trump warned threatened to increase tariffs further, later situation was normalized as China announced an 11th round of talks with the US on 9th and 10th May. Trade talk fear intensified yesterday when US officials confirmed to raise tariff by Friday. Gold may trade in a range of

\$1270-\$1297, on a break above \$1297; counter may push towards its resistance of \$1307-\$1322. Gold is expected to find minor support near \$1270; however, a break below \$1,270 could take the precious metal towards \$1,260 & \$1,249.

OIL PRICES RECOVERED ON OPTIMISM OVER TRADE DEAL WHICH WILL PUSH WORLD OIL DEMAND

- ▲ Oil prices were under pressure a day earlier as investors worried about slower crude demand if the United States and China fail to reach a trade deal but optimism gained as Trump pushed negotiators for the final talk.
- ▲ U.S. crude inventories fell by 4 million barrels in the week to May 3, the Energy Information Administration said on Wednesday.
- ▲ China's crude imports in April hit a record for the month, at 10.6 million barrels per day (bpd), customs data showed on Wednesday.
- ▲ Military deployment- US has deployed a carrier strike group and a bomber task force to send a clear message to Iran that any attack on the U.S. will be met with "unrelenting force,"

Outlook

- ▲ Trade talk has influence over oil prices other than geopolitical tension. Brent oil rebounds after US military deployment in the Middle East. Escalating tensions between the US, Iran, and Venezuela may push oil prices higher. Saudi has already signaled that it would not be increasing production; we can expect a further rise in the coming months. Although US Crude oil inventory pushed oil prices down from recent highs. Brent oil has rebounded above the psychological level of \$70; we see a further move towards 72.40 and \$73.20 per barrel in the near term if oil supply remains intact.

HIGHER OIL PRICES AND FII OUTFLOW PUSHED RUPEE LOWER

- ▲ Tariff war between US-China is a key reason behind equity sell-off across the globe.
- ▲ Strength in Crude oil has dampened sentiments and it is likely to push rupee lower from current levels
- ▲ According to a monthly report by the government, India's economy slowed down in the financial year 2018-19 due to declining growth of private consumption, tepid increase in fixed investment, and muted exports.
- ▲ FII and DII Data
- ▲ Foreign Funds (FII's) sold shares worth Rs.655.36 crores, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs. 677.91 crore on 9th May 2019.
- ▲ In May 2019, FII's net sold shares worth Rs. 2753.63 crores, while DII's were net buyers to the tune of Rs. 1084.97 crores.

Outlook

- ▲ Recent macro-economic data are pushing the Indian rupee lower, indicating slower growth expectations. The IMF has lowered the Indian growth forecast for 2019 and 2020. US-China tariff war is pushing global equities lower and emerging market currencies will be affected negatively. The Indian rupee is expected to weaken as crude oil prices are trading higher. USD-INR could find support near 68.80-68.40 levels, while important resistance is seen around 70.23 levels.

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