
Crude is likely to continue the positive trend
Gold up after supportive comments from ECB President Lagarde

CRUDE IS LIKELY TO CONTINUE THE POSITIVE TREND

- ▲ WTI Crude oil is holding above \$70 on the backdrop of increased optimism about the global economic condition. Crude oil also found support after ECB raised its Eurozone economic growth forecasts and projected GDP growth to be 4.6% from 4.0%. Comments from ECB President Lagarde were supportive of energy demand. She said growth risks in the Eurozone are now "broadly balanced" and that she is more optimistic about the outlook than three months ago.
- ▲ However, the upside is capped on the progress over US-Iran talks. The US government had dropped some sanctions on three individuals from Iran, including the former director of the National Iranian Oil Company, which sparked long liquidation in crude futures on speculation Iran oil exports may soon return to the global market. However, uncertainty is likely to continue as the EU issued a statement Thursday that said it has "deep regret" that Iran hasn't provided the International Atomic Energy Agency (IAEA) with an explanation for atomic activity at undeclared locations. As long as the nuclear talks drag on, sanctions on Iranian crude oil exports will remain in place and keep Iranian crude off the global market.
- ▲ Meanwhile, OPEC is optimistic that global crude demand will continue to recover after it forecast Thursday that global oil consumption will jump by about 5 million BPD (+5%) in the second half of this year, compared with the first half, as the world emerges from the pandemic. A positive demand outlook is likely to keep crude prices firm.
- ▲ Positives global economic data is likely to support oil prices. US weekly initial unemployment claims fell -9,000 to a 14-1/2 month low of 376,000.
- ▲ OPEC+ last Tuesday agreed to increase the group's crude production levels by +841,000 BPD starting in July, following hikes in May and June. OPEC crude production in May rose +320,000 BPD to a 4-month high of 25.56 million BPD.
- ▲ Weekly inventory report EIA showed that U.S. crude oil inventories as of Jun 4 were -4.0% below the seasonal 5-year average, gasoline inventories were -0.6% below the 5-year average, and distillate inventories were -4.9% below the 5-year average.
- ▲ U.S. crude oil production in the week ended Jun 4 rose +1.9% w/w to 11.0 million BPD and was down by -2.1 million BPD (-16.0%) from the Feb-2020 record-high of 13.1 million BPD.

Outlook

- ▲ WTI Crude oil is likely to continue with a positive trend while above the key support level of 20 days EMA of \$67.84 meanwhile it may face stiff resistance around \$71.84 and \$74.14

GOLD UP AFTER SUPPORTIVE COMMENTS FROM ECB PRESIDENT LAGARDE

- ▲ Gold is currently trading near \$1900 after ECB meeting and supported by weakness in dollar index and global bond yields.

- ▲ On economic data front, US weekly initial unemployment claims fell -9,000 to a 14-1/2 month low of 376,000. The U.S. May core CPI rose +0.7% m/m and +3.8% y/y, stronger than expectations of +0.5% m/m and +3.5% y/y. The +3.8% y/y core CPI report was the largest increase in 29 years. Also, Japan May PPI rose +4.9% y/y, stronger than expectations of +4.5% y/y and the largest increase in 12-1/2 years.
- ▲ The ECB raised its 2021 Eurozone inflation forecast to +1.9% from a previous forecast of +1.5%. Meanwhile, Comments on Thursday from ECB President Lagarde were supportive of gold demand. She said a premature end of fiscal stimulus would harm the recovery and that any talk of exiting the ECB's PEPP bond-buying program is "too early now" and will come in "due course."

Outlook

- ▲ Gold prices are likely to face stiff resistance near \$1896-\$1920, while immediate support level is seen around 20 days EMA at \$1878 and 50 days EMA at \$1841

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