
Demand concern due to covid lockdown to keep oil prices under pressure
Inflation expectation to keep supporting gold prices

DEMAND CONCERN DUE TO COVID LOCKDOWN TO KEEP OIL PRICES UNDER PRESSURE

- WTI Crude oil is trading near \$58.87, which is sharply lower from the recent high of \$67.98 registered on March 8th. However, prices are marginally up from the recent low of \$57.25.
- A rally in the dollar weighed on crude prices along with global energy demand concerns. Covid infections are climbing throughout the world. New lockdown measures in India and Euro-zone countries are likely to affect energy demand negatively. Globally, the coronavirus disease has affected more than 135 million people and led to nearly 3 million deaths, as per the John Hopkins University Covid-19 tracker. Also, Japanese Prime Minister Suga on Friday said that the government is re-imposing pandemic restrictions in Tokyo, Kyoto, and Okinawa for four weeks due to the recent surge in Covid infections.
- Global economic data on Friday was negative for energy demand and crude prices. German Feb industrial production and French Feb industrial production unexpectedly fell in March which is negative for oil demand.
- Positive data from India supported prices, the consumption of oil products in India rose by +17% y/y in March to 18.8 MMT, the most in 4-1/2 years, India is the third-largest consumer of crude oil.
- On the inventory front, US crude oil inventories as of April 2 were +3.8% above the seasonal 5-year average, gasoline inventories were -2.7% below the 5-year average, and distillate inventories were +5.1% above the 5-year average.
- US crude oil production in the week ended April 2 fell -1.8% w/w to 10.9 million BPD and is down by -2.2 million BPD (-16.8%) from the Feb-2020 record-high of 13.1 million BPD.
- According to the CFTC Commitments of Traders report for the week ended April 6, net long for crude oil futures plunged by 19,585 contracts to 5,11,725 for the week. The speculative long position fell by 21,921 contracts, while shorts dropped by 2,336 contracts.

Outlook

- WTI crude oil prices are likely to face stiff resistance near 20 days EMA at \$60.30, it may find a strong support near \$57.40 and \$55.60

INFLATION EXPECTATION TO KEEP SUPPORTING GOLD PRICES

- Gold prices found support from a minor correction in US bond yields and sell-off into Asian equities during morning hours. However gold rally is capped due to strength in the US dollar index which is negative for commodities. Gold prices are currently holding above \$1,740 which is sharply higher from the recent low of \$1,673.30. The dollar index is currently trading near 92.282 while United States' 10-Year Bond Yield is trading near 1.653 which is sharply lower from the recent high of 1.776.

- Additionally, Inflation expectation is likely to support gold prices. Stronger-than-expected data suggests that inflation is picking up faster than expectations. Producer prices in the United States rose more than anticipated in March, resulting in the highest annual rise in 9-1/2 years and signaling the start of higher inflation in coming months. The U.S. Mar core PPI rose +0.7% m/m and +3.1% y/y, against expectations of +0.2% m/m and +2.7% y/y. Also, China Mar PPI rose +4.4% y/y, stronger than expectations of +3.6% y/y and the largest increase in 2-1/2 years.
- On other global economic data front, German Feb industrial production unexpectedly fell -1.6% m/m, weaker than expectations of +1.5% m/m. Also, French Feb industrial production unexpectedly fell -4.7% m/m, weaker than expectations of +0.5% m/m and the biggest decline in 10 months.
- Gold prices continue to receive support from Dovish global central bank comments. Fed vice-Chair Clarida said the Fed would await evidence on whether they are reaching their goals on price stability and employment with "hard numbers on the labor market and on prices" before adjusting monetary policy.
- Additional support was received from ECB Governing Council member Stournaras dovish comments. He does not see any reason why we should withdraw the monetary stimulus. He also said that the current PEPP QE program should only be unwound when there is concrete evidence that inflation is improving on a permanent basis.
- According to the CFTC Commitments of Traders report for the week ended April 6, net long for gold futures jumped by 21,981 contracts to 189,509 for the week. Speculative long position increased by 12,250 contracts, while shorts dropped by 9,731 contracts.

Outlook

- Gold prices are likely to find support on higher inflation expectation, immediate support level is seen around \$1,724 and \$1,704 while it may face stiff resistance around 50 days EMA at \$1,756 and 100 days EMA at \$1,796.

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