
Copper corrects marginally over poor Chinese CPI and PPI data
Gold recovered from two days decline as dollar index was unable to sustain gains
The surprise build in API pushed oil down, but OPEC supply concern gave in support
The rupee is trading in a range ahead of inflation and production numbers

COPPER CORRECTS MARGINALLY OVER POOR CHINESE CPI AND PPI DATA

- ▲ Copper gave up some gains post poor economic data from China. China's consumer price index (CPI) rose 2.7 percent year on year in May, the increase was up from 2.5 percent for April. China's producer price index rose 0.6 percent year on year in May, the pace was slower than the 0.9-percent increase recorded in April.
- ▲ Copper rallied a day before as outlook for demand improved amid optimism China will boost infrastructure spending. The Chinese government will allow local authorities to use special bond sales to infuse capital in major projects and encourage banks to offer loans to projects funded by the instruments.
- ▲ Now global markets are turning towards G-20 summit, finance leaders from G-20 said that trade and geopolitical tensions have "intensified", but still a resolution can be found between US and China to settle the trade dispute.
- ▲ Copper prices may not sustain gains for short term due to low seasonal demand in June where consumption weakens further.
- ▲ Copper smelters will keep the domestic market well-supplied in June after maintenance in mills will support production recovery. Copper cathode production is expected to recover to 704,900 mt in June, up 71,400 mt from May.
- ▲ China 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

Outlook

- ▲ The copper contract received 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. Short term trend continues to remain weak as world economic slowdown may decrease demand for industrial metals.

GOLD RECOVERED FROM TWO DAYS DECLINE AS DOLLAR INDEX WAS UNABLE TO SUSTAIN GAINS

- ▲ Gold went marginally up from two days decline. Gold was trading lower, post comments by President Donald Trump on trade.
- ▲ Markets anticipating some developments at the Group-of-20 summit later this month as President Trump said he's holding up a deal with China; But still sentiment has not improved completely and tariff talk would provide support to gold unless some long term solution is found.
- ▲ President Trump has renewed his attack on the Federal Reserve for high-interest rates. Central-bank rate cuts are looking inevitable as of now.
- ▲ Fed meeting is due on 18-19 June; Fed fund futures now price in more than two 25-basis point rate cuts by year-end, with one almost fully priced in by July.

Outlook

- ▲ Gold declined after agreement US-Mexico and optimism increased for US-China trade war settlement on similar lines but ambiguity remains over tariff on China. Gold could find immediate resistance near \$1349-1356 while important support remains near \$1321-1304. Weakness in dollar index may support gold in the short term. Poor economic data from China increased the possibility of an economic slowdown in the country.

THE SURPRISE BUILD IN API PUSHED OIL DOWN, BUT OPEC SUPPLY CONCERN GAVE IN SUPPORT

- ▲ Crude oil drops after API release inventory report. Crude oil inventories rose by 4.852 million barrels for the week ending June 6 against market expectation of drawdown 481000 barrels.
- ▲ Gasoline inventories also rose by 829,000 barrels against expectation for a build of 743000 barrels. Distillate inventories fell by 3.461 million barrels for the week, while inventories at Cushing rose by 2.365 million barrels.
- ▲ Oil prices received some support after OPEC and its allies favored to keep withholding supply to prevent prices. 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. 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.

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

THE RUPEE IS TRADING IN A RANGE AHEAD OF INFLATION AND PRODUCTION NUMBERS

- ▲ Weakness in Crude oil and FII's inflow supported the rupee. Markets eyes are on inflation and industrial production number to be released today. India's retail inflation likely to be a multi-month high in May on rising food prices, but it is expected to remain well below the Reserve Bank of India's target.
- ▲ 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) bought shares worth Rs.95.79 crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs. 151.01 crore on June 11th.
- ▲ In June'19, FII's net bought shares worth Rs.1036.96 crore, while DII's were net sellers to the tune of Rs. 1269.55 crore

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. Inflation and industrial production data may provide further direction to the prices; we expect inflation to be on the higher side for the month of May. USD-INR could find support near 68.80-68.40 levels, while important resistance is seen around 70.23 levels.

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