
Rising concern over economic recovery pushed oil prices down
Gold prices likely to trade firm

RISING CONCERN OVER ECONOMIC RECOVERY PUSHED OIL PRICES DOWN

- ▲ Crude oil prices are holding near \$74.63 which is marginally lower from the recent high of \$76.98 registered on July 6th. A renewed concern about economic activity in the US is likely to keep a cap on oil prices. A fresh spread of COVID-19 variants is likely to derail the global economic recovery.
- ▲ The US infection rate has increased after the 7-day average of new US Covid infections rose to a 1-1/2 month high Sunday of 19,479. The overall global Covid-19 caseload has topped 187 million, while the deaths have surged to more than 4.03 million and vaccinations soared to over 3.46 billion, according to Johns Hopkins University.
- ▲ OPEC+ ministers delayed a meeting on output policy as the United Arab Emirates hesitated at a plan to add back 2 million barrels per day (BPD) in the second half of the year. UAE and OPEC+ postponed the ministerial meeting to Friday. OPEC+ reached a preliminary agreement to raise production by 400,000 BPD each month from August through December; however, the UAE reportedly wanted a higher production quota and blocked an agreement, forcing the meeting to be adjourned until Friday.
- ▲ Crude prices also found support from delays in Iran's nuclear talks. The seventh round of talks with world diplomats over Iran's nuclear program has been delayed with no resumption date fixed. Easy oil supply from Iran is delayed as talks are not progressing.
- ▲ As per the weekly inventory report from EIA, US crude oil inventories as of July 2 were -6.9% below the seasonal 5-year average, gasoline inventories were -1.4% below the 5-year average, and distillate inventories were -5.3% below the 5-year average.
- ▲ Meanwhile, US crude oil production in the week ended July 2 rose +1.8% w/w to a 13-month high of 11.3 million BPD and was down by -1.8 million BPD (-13.7%) from the Feb-2020 record-high of 13.1 million BPD.
- ▲ As per Baker Hughes reports that active U.S. oil rigs in the week ended July 9 rose by +2 rigs to a new 1-1/4 year high of 378 rigs.
- ▲ According to the CFTC Commitments of Traders report for the week ended July 6. the net long for crude oil futures slumped -25 139 contracts to 497 351 for the week. Speculative long position declined -24 799 contracts, while shorts added +340 contracts.

Outlook

- ▲ Crude oil is likely to face stiff resistance near \$75.83-\$76.73 while immediate support level could be seen around 20 days EMA at \$73.35 and 50 days EMA at \$70.58

GOLD PRICES LIKELY TO TRADE FIRM

- ▲ Gold prices are currently sustaining near \$1807 with moderate gains from the previous session is likely to remain firm however it is likely to get fresh direction from the US Consumer prices index report later today and Fed Chairman Jerome Powell's testimony before Congress on Wednesday. Gold is also getting support from lower global bond yields after dovish central banks' comments.
- ▲ Meanwhile, strength in the dollar index is limiting positive move in gold prices. The dollar index has been recovering from the recent low of 89.515 registered on May 25th and sustaining above 92 from the last several trading sessions.
- ▲ Dovish central bank comments are likely to keep gold prices firm. Richmond Fed President Barkin said inflation could cool more than expected and that the US labor market "hasn't healed enough" for the Fed to taper bond buying. Also, New York Fed President Williams said, "clearly, right now, we have not achieved substantial further progress" on employment and inflation to begin tapering asset purchases.
- ▲ ECB President Lagarde said the July 22 ECB meeting will have "some interesting variations and changes" and that the ECB's emergency stimulus that will end in March 2022 could "transition into a new format."
- ▲ On the economic data front, the German May wholesale price index rose +10.7%y/y, the largest increase in 39-1/2 years. Also, Japan Jun PPI rose +0.6% m/m and +5.0% y/y, stronger than expectations of +0.5% m/m and +4.8% y/y.
- ▲ According to the CFTC Commitments of Traders report for the week ended July 6. the net long for gold futures increased by 20595 contracts to 182821 for the week. Speculative long position added by 16339 contracts, while shorts dropped by 4256 contracts.

Outlook

- ▲ Gold prices are likely to trade firm while above the key support level of \$1782-\$1774 meanwhile immediate resistance level is seen around \$1822-\$1834

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