
Copper trade lower on demand outlook over global growth concern

Iron ore futures in China head for the highest close since 2014 over the tight physical market

The crude oil price fell further after the EIA reported another build in inventories at 2.2 million barrels

Gold rallied after core CPI data, building the case for Federal Reserve to cut interest rates

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COPPER TRADE LOWER ON DEMAND OUTLOOK OVER GLOBAL GROWTH CONCERN

- ▲ Poor economic data reduced hope for recovery into the Chinese economy and pushed base metals down. Chinese car sales declined for the 12th consecutive month in May, a historic slump. This sector consumes about 13% of China copper demand.
- ▲ 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.
- ▲ The focus is 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. U.S. officials said to resume talks with Beijing rather than closing a deal.
- ▲ The market is not reacting positively to stimulus action taken by China. 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.
- ▲ Workers at Codelco's third-largest mine plan to go for a strike on Friday after the union failed to reach an agreement with the world's top copper miner following weeks of negotiations.

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. Copper prices may not sustain gains for short term due to low seasonal demand in June where consumption weakens further.

IRON ORE FUTURES IN CHINA HEAD FOR THE HIGHEST CLOSE SINCE 2014 OVER THE TIGHT PHYSICAL MARKET

- ▲ Global iron ore contract remains higher over supply concern. Exports out of Australia and Brazil have picked up recently but still number of ships at ports in China is near all-time lows.
- ▲ Iron ore port inventory is expected to decline in coming weeks.
- ▲ Steel product demand may pick up as China will ease restrictions on local governments bodies to spend money raised through special bonds. Chinese infrastructure in major cities is expected to expand further after special bonds.
- ▲ President Donald Trump said he had no deadline for China to return to trade talks, other than the one in his head. But yet it is assumed that no final resolution can be seen from G-20 meeting.

THE CRUDE OIL PRICE FELL FURTHER AFTER THE EIA REPORTED ANOTHER BUILD IN INVENTORIES AT 2.2 MILLION BARRELS

- ▲ The crude oil price fell further after the EIA reported another build in inventories at 2.2 million barrels for the week of June 7. EIA reported build against market expectation of a drawdown of 481000 barrels.
- ▲ EIA cut its forecast for global oil demand growth to roughly 1.2 million barrels per day in 2019 against 1.4 million bpd projected in last month report.
- ▲ The rising oil supply report from both EIA and API comes as the market continues to face concerns about weakening fuel demand amid the ongoing U.S.-China trade war.
- ▲ The surprise build in API in yesterday's report pushed oil down but OPEC supply concern may provide minor support at lower levels. OPEC and its allies favored keeping 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.

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

GOLD RALLIED AFTER CORE CPI DATA, BUILDING THE CASE FOR FEDERAL RESERVE TO CUT INTEREST RATES

- ▲ Gold prices rallied from recent lows as weaker-than-expected U.S. inflation data boosted the case for the Federal Reserve to cut interest rates. The core consumer price index, which excludes energy and food costs, rose 2% on a YOY basis against market expectation of 2.1%.
- ▲ President Donald Trump said he had no deadline for China to return to negotiations, other than the one in his head.
- ▲ The market is anticipating some development 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 price in more than two 25-basis point rate cuts by year-end, with one almost fully priced in by July.

Outlook

- ▲ 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 while lower inflation data for the US makes a better case for Federal Reserve to cut interest rate in the July meeting.

The rupee is in range after inflation data and FII's selling, receiving support from lower crude oil prices

- ▲ The rupee was marginally up after industrial production data, but biasness remains due to FII's selling and higher retail inflation. Indian retail inflation spiked to a seven-month high of 3.05 percent in May mainly due to costlier food items while Industrial production grew at a six-month high of 3.4 percent in April mainly on account of improvement in mining and power generation.
- ▲ Weakness in Crude oil prices supported the rupee.
- ▲ A comment from US Secretary of State Mike Pompeo at 'India Ideas Summit' in Washington DC, boosted sentiments that India and the US should conduct a dialogue to resolve the outstanding trade issues.

FII and DII Data

- ▲ Foreign Funds (FII's) sold shares worth Rs.1050.43 crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs. 271.15 crore on June 12th.
- ▲ In June'19, FII's net sold shares worth Rs.13.47 crore, while DII's were net sellers to the tune of Rs. 998.40 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. Higher inflation figure pushed rupee lower but industrial production data and lower crude oil prices supported the domestic currency. USD-INR could find support near 68.80-68.40 levels, while important resistance is seen around 70.23 levels.

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