
Copper and other metals decline as US-China trade war intensifies
US China tariff deadlock pushes steel prices down
Oil prices trade firm after Saudi reported attack on its oil tankers
Gold to see choppy trading on US-China tariff issue
Indian industrial output declined 0.1% in March'19, its lowest level in 21 Months

COPPER AND OTHER METALS DECLINE AS US-CHINA TRADE WAR INTENSIFIES

- ▲ Copper prices declined to a four month low due to concerns over global economic outlook and metal demand in future after China threatened to retaliate.
- ▲ Trade conflict between US and China escalated on Friday, after United States hiked tariff on \$200 billion worth of Chinese goods.
- ▲ Deal is stuck as China is unwilling to make changes in the laws that were earlier agreed.
- ▲ Copper prices may find some support as a few smelters are scheduled for maintenance in May.
- ▲ SHFE Copper inventory dropped to a 3-1/2-month low and LME Copper warehouses inventories also declined to a 2-week low on May 9.

Outlook

- ▲ LME 3 M copper contracts might find minor support around 6048; break below this may push it further lower towards 5988-5874 in the near term. Ongoing US-China trade conflict is turning out to be negative for metals as demand could decline in future. Copper may receive minor support from production shortages and declining inventories, important resistance is seen around 6224-6303.

US CHINA TARIFF DEADLOCK PUSHES STEEL PRICES DOWN

- ▲ China Steel Rebar steel futures contract remained weak as tariff issues will have negative impact on world economy and reduce metal demand.
- ▲ US and China appeared at a deadlock over trade tension after failed negotiations on Friday.
- ▲ US demanded promises of concrete changes to Chinese law and counter party replied not to swallow any "bitter fruit" that harmed its interests.
- ▲ China Social Rebar inventories are continuously declining since the second week of March'19.
- ▲ Tight environmental measures in Tangshan are expected to disturb steel supply and are offering some support to prices. Tangshan's government last week ordered steel mills in seven districts to reduce production activity to half of the current level.

OIL PRICES TRADE FIRM AFTER SAUDI REPORTED ATTACK ON ITS OIL TANKERS

- ▲ Two Saudi oil tankers were targeted on Sunday, which is a direct threat to oil supplies in the world. Rising geopolitical tensions in Gulf may push oil prices higher from these levels.
- ▲ Although Oil is finding resistance from ongoing US China tariff war which may dampen demand outlook. US and China are collectively responsible for worlds 34% of oil demand and any negative impact on their economy could push oil prices lower in near future.
- ▲ Drillers cut two oil rigs in the week to May 10, US oil rig count has declined over the past five months as independent exploration and production companies cut spending on new drillings.
- ▲ Oil demand from India may be moderate as domestic car sales declined to 1,60,279 units compared to 2,00,183 in April 2018, according to Society of Indian Automobile Manufacturers. Domestic passenger vehicle (PV) sales declined 17.07% to 2,47,541 units in April from 2,98,504 units in the same month in the previous year.
- ▲ CFTC - NET longs for crude oil futures declined -29767 contracts to 494 336 for the week ending May7. Crude oil speculative long positions fell -21 509 contracts while shorts rose +8 258.

Outlook

- ▲ Trade talks have had influence over oil prices other than geopolitical tensions also. Brent oil rebounded after US military deployment in the Middle East and attack on Saudi oil tanker., Escalating tensions between the US, Iran, and Venezuela may push oil prices higher. Saudi has already signaled that it would not be increasing production; we can expect oil to rise further in the coming months. Although US Crude oil inventory pushed oil prices down from recent highs. Brent oil has rebounded above the psychological level of \$70; we see a further move towards 72.40 and \$73.20 per barrel in the near term.

GOLD TO SEE CHOPPY TRADING ON US-CHINA TARIFF ISSUE

- ▲ Gold is expected to see choppy trading this week and is expected to get further direction from the news flow around US-China trade deal and retaliatory action by China after US increased tariffs last week.
- ▲ U.S. officials are expected to announce details of their plans to impose a 25% additional tariff on all remaining imports from China, which is around \$300 billion., Beijing is said to be working on its retaliation plans to counter the new US tariffs.
- ▲ US Consumer prices rose less than expected in April, testing the Federal Reserve's message that muted inflation will prove transitory.
- ▲ CFTC- Net long for gold futures gained +9 192 contracts to 75 411 last week. Speculative long positions increased +8 526 contracts, while shorts slipped -666, resulting in the rise in new long.

Outlook

- ▲ Gold has bounced from its four-month low, on US-China trade talks as president Trump threatened to increase tariffs further, situation was later normalized as China announced 11th round of talks with the US on 9th and 10th May. Trade talk fear intensified yesterday when US officials confirmed to raise tariff by Friday. Gold may trade in a range of \$1270-\$1297, on a break above \$1297; counter may push towards its resistance of \$1307-\$1322. Gold is expected to find minor support near \$1270; however, a break below \$1,270 could take the precious metal towards \$1,260 & \$1,249.

INDIAN INDUSTRIAL OUTPUT DECLINED 0.1% IN MARCH'19, ITS LOWEST LEVEL IN 21 MONTHS

- ▲ India's industrial production numbers were released; data showed the industrial output declined 0.1% thereby keeping rupee under pressure. Higher oil prices and FII outflow pushed rupee lower, escalating tariff war between US-China is a key reason behind equity sell-off across the globe.
- ▲ Strength in Crude oil has had a negative impact on the rupee and it is likely to weaken the rupee further from current levels
- ▲ According to a monthly report by the government, India's economy slowed down in the financial year 2018-19 due to declining growth of private consumption, tepid increase in fixed investment, and muted exports.

FII and DII Data

- ▲ Foreign Funds (FII's) sold shares worth Rs.1245.14 crores, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs. 1057.42 crore on 10th May 2019.
- ▲ In May 2019, FII's net sold shares worth Rs. 3998.77 crores, while DII's were net buyers to the tune of Rs. 2142.39 crores.

Outlook

- ▲ Recent macro-economic data are pushing the Indian rupee lower, indicating slower growth expectations. The IMF has lowered the Indian growth forecast for 2019 and 2020. US-China tariff war is pushing global equities lower and in turn emerging market currencies are expected to be impacted negatively. Indian rupee is expected to weaken as crude oil prices are trading higher, USD-INR could find support near 68.80-68.40 levels, while important resistance is seen around 70.23 levels.

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