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Safe haven appeal increased for gold after geopolitical tension in the world economy
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Copper trades negative on inventory buildup at LME
Nickel headed for the biggest weekly gain in almost four months

A tanker attack in the Middle East revives geopolitical fears, push oil prices higher

- ▲ After losing 4% on worries of oversupply and lower demand from possible economic slowdown due to the trade war, crude futures bounced about 2% on Thursday over the report that two tankers in the Gulf of Oman sustained significant fire damage. The United States slammed Iran for the attack, raising alarms about immediate security and potential military conflict. Iran denied any such act.
- ▲ Saudi Arabia and Russia may extend output cuts and similar proposal can be seen in the coming OPEC meeting at Vienna on June 26th.
- ▲ US drilling activity slowed and 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.
- ▲ 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.

Outlook

- ▲ Crude oil rallied after two oil tankers have been attacked in the Gulf of Oman. Geopolitical tensions have increased after the attack on an oil tanker which pushes oil prices higher. In addition to it, OPEC supply concern may provide support to oil prices after the last week's decline. Saudi Arabia and Russia may extend output cuts and similar proposal can be seen in the coming OPEC meeting at Vienna on June 26th. Brent oil could find immediate support around \$60.40-59.10 per barrel meanwhile resistance is seen near \$63.50 and 64.30 per barrel.

Safe haven appeal increased for gold after geopolitical tension in the world economy

- ▲ Gold futures rallied on safe-haven demand as mounting geopolitical tensions continue to threaten the world's economies. Tensions in the Middle East were fueled by suspected attacks on two tankers in the Gulf of Oman.
- ▲ President Donald Trump shows uncertainty about a trade deal with China when he said he wouldn't say publicly what deadline he was setting for negotiations. Gold also rallied over mounting trade tension and slow down fear in the world economy.
- ▲ U.S. jobless claims exceeded forecasts, claims unexpectedly increased to a five-week high. The higher jobless claim indicates signs of potential cooling in the labor market.
- ▲ Holdings of gold-backed ETFs are at their highest since late February. Holdings of gold by global exchange-traded funds have jumped by 52 tonnes so far this month, reflecting good demand for gold.
- ▲ US core consumer price index rose 2% on a YOY basis against market expectation of 2.1%.
- ▲ 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 \$1356-1387 while important support remains near \$1321-1304. Poor economic data from US and China increased the possibility of an economic slowdown in the global economy while lower inflation data for the US makes a better case for Federal Reserve to cut interest rate in the July meeting. Gold could continue to receive support from mounting geopolitical tension in short to medium term.

The rupee wakens after the crude oil rally and selloff into equities

- ▲ The rupee was marginally down over rally into crude oil prices and sell off into equities. Rupee also weakens after the US dollar index gained for consecutively three days.
- ▲ 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.
- ▲ 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) bought shares worth Rs.172.35 crore, while Domestic Institutional Investors (DII's) sold shares to the tune of Rs. 444.87 crore on June 13th.
- ▲ In June'19, FII's net bought shares worth Rs.158.88 crore, while DII's were net sellers to the tune of Rs. 1443.27 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. USD-INR could find support near 68.80-68.40 levels, while important resistance is seen around 70.23 levels

Copper trades negative on inventory buildup at LME

- ▲ The copper stock rose to 2485550 mt with a daily change of 37650 tonnes on Thursday with 18% increase from Wednesday. Copper inventories are at the highest level since Sept'18
- ▲ Workers at Codelco's Chuquibambilla mine set to start a strike.
- ▲ Euro zone's April industrial output fell 0.5%. China is going to announce May industrial output data including steel, aluminum on Friday afternoon.
- ▲ 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.

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.

Nickel headed for the biggest weekly gain in almost four months

- ▲ Flooding in Indonesia is supporting the short-term market sentiment toward nickel but price may not sustain for a medium-term due to ample Chinese supply and weak demand from the stainless steel sector.
- ▲ Nickel headed for the biggest weekly gain in almost four months on concerns severe weather in Indonesia risks disrupting supply.
- ▲ Indonesian authorities warned of more floods and landslides in the main nickel-ore producing region. Indonesian Nickel supply boosted after the government eased a ban on shipments in 2017 and markets are still well supplied.

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