
Increasing economic activity in the US is likely to boost oil demand
Recovery in Bond yield and Dollar index pushed gold prices down

INCREASING ECONOMIC ACTIVITY IN THE US IS LIKELY TO BOOST OIL DEMAND

- ▲ WTI Crude oil is trading near 71.56 on the backdrop of increased optimism about the global economic condition.
- ▲ Increasing economic activity in the US is likely to boost oil demand further. The Transportation Security Administration announced Saturday that 2.03 million travellers were screened at airport security checkpoints on Friday. Also, The US Department of Transportation said vehicle miles travelled on U.S. highways in the seven days ending June 6 rose +4% w/w to 17.2 billion miles, the second straight w/w gain of at least 3%.
- ▲ Meanwhile, OPEC is optimistic that global crude demand will continue to recover after it forecast Thursday that global oil consumption will jump by about 5 million BPD (+5%) in the second half of this year, compared with the first half, as the world emerges from the pandemic. A positive demand outlook is likely to keep crude prices firm.
- ▲ Weekly inventory report EIA showed that U.S. crude oil inventories as of Jun 4 were -4.0% below the seasonal 5-year average, gasoline inventories were -0.6% below the 5-year average, and distillate inventories were -4.9% below the 5-year average.
- ▲ U.S. crude oil production in the week ended Jun 4 rose +1.9% w/w to 11.0 million BPD and was down by -2.1 million BPD (-16.0%) from the Feb-2020 record-high of 13.1 million BPD.
- ▲ According to the CFTC Commitments of Traders report for the week ended June 8, net long for crude oil futures jumped by 19,202 contracts to 5,10,499 for the week. Speculative long position rose by 18,717 contracts, while shorts dropped by 485 contracts.
- ▲ As per Baker Hughes report that the number of oil and gas rigs in the US rose last week to 461 which have increased by 100 rigs this year. Active U.S. oil rigs in the week ended June 11 rose by +6 rigs to a 14-month high of 365 rigs, well above August's 15-year low of 172 rigs.
- ▲ However, the upside is capped on the progress over US-Iran talks. Iran and the United States have made progress on virtually every issue under discussion in indirect meetings over the past two months. But as they began the sixth round of talks Saturday, the Biden administration remained unsure whether they are any closer to the final agreement than they were at the beginning. As long as the nuclear talks drag on, sanctions on Iranian crude oil exports will remain in place and keep Iranian crude off the global market which is supporting oil prices.

Outlook

- ▲ WTI Crude oil is likely to continue with a positive trend while above the key support level of 20 days EMA of \$68.55 meanwhile it may face resistance around \$71.84 and \$74.14

RECOVERY IN BOND YIELD AND DOLLAR INDEX PUSHED GOLD PRICES DOWN

- Gold is currently trading near 1859, sharply lower from the recent high of 1919.20 registered on June 1 on the backdrop of strength in the dollar index and recovery in global bond yields. US dollar index has recovered in the last two days, now trading near 90.49 which is sharply higher from the recent low of 89.54 registered on May 25th while the US 10 years bond yield recovered to 1.464 from the recent low of 1.428 registered on Friday.
- On the economic data front, the preliminary-June University of Michigan US consumer sentiment index rose by +3.5 points to 86.4, which was stronger than expectations for a +1.3 point increase to 84.2. On a 3-month annualized basis, the headline May CPI rose by +8.4%, and the core CPI rose by +8.3%.
- On a year-on-year basis, the May core CPI rose by +3.8% y/y, the largest increase in 29 years. A rise in inflation is likely to affect the US fed decision to unwind some of the covid-19 related liquidity from the markets and it is negative for gold prices.
- According to the CFTC Commitments of Traders report for the week ended June 8, net long for gold futures slipped by 4314 contracts to 209387 for the week. Speculative long position dropped by 45 contracts, while shorts were added by 4269 contracts.

Outlook

- Gold prices are likely to face stiff resistance near \$1876-\$1882, while immediate support level is seen around 50 days EMA at \$1848 and 200 days EMA at \$1819

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