
Copper down after China imposed the tariff on \$60 billion worth of US goods
Brent oil sharply lower after China announces retaliatory tariffs on the USA
Safe haven demand increased for Gold over the trade war between the US and China
Chinese steel production rises despite plant closures: WSA
Indian inflation moderately higher in April

SAFE HAVEN DEMAND INCREASED FOR GOLD OVER THE TRADE WAR BETWEEN THE US AND CHINA

- ▲ Gold rallied nearly 1% over China tariff on US goods, safe haven demand improved from equity market selloff triggered by China tariff.
- ▲ Holdings of SPDR Gold Trust, the world's largest gold-backed exchange-traded fund, fell 0.9 percent on Friday.
- ▲ 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 warned threatened to increase tariffs further, later situation was normalized as China announced an 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.

COPPER DOWN AFTER CHINA IMPOSED THE TARIFF ON \$60 BILLION WORTH OF US GOODS FROM JUNE 1

- ▲ Copper prices marginally up after a sharp decline to 15 months low on bargain buying. Escalated trade tensions between Beijing and Washington still negative for metal demand.
- ▲ China imposes higher tariffs on most U.S. imports on a revised \$60 billion target list, hitting back at a U.S. tariff increase on \$200 billion worth of Chinese goods.
- ▲ LME Copper warehouse inventories reported at 203,750 tonnes to a lowest since April 25.
- ▲ ICSG Report- The copper market should see a deficit of 189,000 tonnes this year, widening to 250,000 tonnes in 2020.
- ▲ Copper prices may find some support as some smelters are scheduled for maintenance in May.

Outlook

- ▲ LME 3 M copper contracts may find minor support around 6048, break below this may push counter toward 5988-5874 in the near term. Ongoing tariff issues between the US and China are turning out be negative for metals as demand may slow down in coming months. Copper may receive minor support from production shortage and declining inventories. Important resistance is seen near 6224-6303.

CHINESE STEEL PRODUCTION RISES DESPITE PLANT CLOSURES: WSA

- ▲ Steel output increased by 15% over the past two years.
- ▲ China produced a record 928 million mt of steel in 2018, up 6.6% on the year before, according to the World Steel Association.
- ▲ Steel production was 9.2% higher in Feb'19 at 71 million mt in comparison to the same month last year.

BRENT OIL SHARPLY LOWER AFTER CHINA ANNOUNCES RETALIATORY TARIFFS ON THE USA

- ▲ Oil futures fell as worries over US-China tariff war projected to reduce oil demand. Brent oil found some support on concerns that tanker attacks in the Middle East could disrupt supplies.
- ▲ Two Saudi oil tankers were targeted on Sunday, which is a direct threat to oil supplies in the world.

Rising geopolitical tension in the Gulf may push oil prices higher from these levels.

- ▲ 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 drilling.
- ▲ 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
- ▲ NET long for crude oil futures plunged -29767 contracts to 494 336 for the week ending May 7. Crude oil speculative long positions fell -21 509 contracts while shorts rose +8 258.
- ▲ OPEC monthly report and API crude oil inventory report will be released today while EIA weekly energy report is scheduled tomorrow.

Outlook

- ▲ Trade talk has influence over oil prices other than geopolitical tension. Brent oil rebounds after US military deployment in the Middle East and attack on the Saudi oil tanker is the new threat to world oil supplies. 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 a further rise 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.

INDIAN INFLATION MODERATELY HIGHER IN APRIL

- ▲ India's inflation rate for the month of Apr'19 increased marginally to 2.92% vs 2.86% in Mar'19 and 2.57% in Feb'19
- ▲ Indian industrial output declined 0.1% in March'19, lowest in 21 Months
- ▲ 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.
- ▲ The Indian economy will grow at 7% range in the current fiscal according to Chief Economic Advisor Krishnamurthy V. Subramanian.
- ▲ 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 dampened sentiments and it is likely to push rupee lower from current levels

FII and DII Data

- ▲ Foreign Funds (FII's) sold shares worth Rs.1056.01 crores, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs. 1057.91 crore on 13th May 2019.
- ▲ In May 2019, FII's net sold shares worth Rs. 5054.78 crores, while DII's were net buyers to the tune of Rs. 3200.30 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 emerging market currencies will be affected negatively. The 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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