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Copper prices are consolidating between \$9250 - \$9550

OIL PRICES REMAIN UNDER PRESSURE AFTER OPEC+ DEAL

- WTI Crude futures contract is now trading at \$72 after a sharp fall yesterday after OPEC+ compromised on a deal with UAE. Oil prices are trading sharply lower from the recent high of \$76.98 registered on July 6th.
- OPEC members have reached a compromise deal with the United Arab Emirates. On Wednesday, the UAE's energy ministry said that there had been significant progress in resolving its standoff with OPEC+ and that a compromise deal is being discussed that will raise the UAE's crude production quota to 3.65 million BPD from about 3.17 million BPD currently.
- Meanwhile, China's crude oil imports fell 3% from January to June versus a year earlier, which is a negative indicator for energy demand and crude oil prices. Oil imports fell on the backdrop of refinery maintenance and rising global prices have curbed buying.
- On the economic data front, China's GDP grew 7.9% in the second quarter, against Reuters' estimate of 8.1% growth. However retail sales beat expectations. Retail sales rose 12.1% in June from a year ago, against the expected 11% level forecast by Reuters and Industrial production grew by 8.3%, greater than the 7.8% Reuters estimate. Mixed data from China is likely to keep a cap on oil prices.
- Crude oil prices are likely to remain under pressure after the worldwide spread of the delta Covid variant, which has forced renewed lockdowns across parts of Asia and Australia and undercuts economic activity and energy demand. According to WHO, the swift spread of the more contagious delta variant, which WHO said has now been identified in 111 countries and is expected to become globally dominant in the coming months. According to Johns Hopkins University, the overall global Covid-19 caseload has topped 188.2 million, while the deaths have surged to more than 4.05 million and vaccinations soared to over 3.49 billion, according to Johns Hopkins University.
- On the inventory front, the weekly report suggests that EIA crude inventories fell -7.9 million bbl to a 17-month low against expectations of -4.0 million bbl. Also, crude stockpiles at Cushing, the delivery point of WTI futures, fell -1.59 million bbl to a 16-month low. EIA gasoline supplies unexpectedly rose +1.04 million bbl versus expectations of a -2.0 million bbl draw. Also, EIA distillate inventories rose +3.66 million bbl, more than expectations of +1.0 million bbl.
- Meanwhile, US crude production in the week ended July 9 rose +0.9% w/w to a 14-month high of 11.4 million BPD.
- As per Baker Hughe, active U.S. oil rigs in the week ended July 9 rose by +2 rigs to a new 1-1/4 year high of 378 rigs.
- According to the CFTC Commitments of Traders report for the week ended July 6. the net long for crude oil futures slumped -25 139 contracts to 497 351 for the week. Speculative long position declined -24 799 contracts, while shorts added +340 contracts.

Outlook

- WTI Crude oil prices are likely to trade negatively while below the key resistance levels of \$73.6 and \$75.1 while immediate support levels could be seen around 50 days EMA at \$70.60 and 100 days EMA at \$66.01

COPPER PRICES ARE CONSOLIDATING BETWEEN \$9250 - \$9550

- LME 3M Copper prices are consolidating between \$9250 - \$9550 from the last several trading session after a sharp decline from the recent high of \$10746 registered on May 10th to \$9013.25 registered on June 21st. Copper prices are under pressure due to some loss of physical demand in China.
- China's trade was supportive of industrial metals prices. Export growth accelerated to 32.2% in dollar terms in June from a year earlier against expectations of a slowdown to 23%. Imports climbed 36.7%, against the forecast of 29.5%. China's trade surplus in June was \$51.5 billion which is the highest since January.
- However, Copper prices found a setback as China's copper imports fell for a third straight month in June. Imports of unwrought copper and copper products into China last month were 428,438 mt, which was down 3.9% mt in May and down 34.7% from 656,483 mt in June 2020.
- Metals prices found some support after China's central bank last week said it would cut the amount of cash banks must hold as reserves, releasing around 1 trillion yuan (\$154.5 billion) in long-term liquidity to underpin a post-covid-19 recovery that is starting to lose momentum.
- On the inventory front, Copper warehouse stock at LME now stands at 222625mt which has increased by 82000mt in the last 30days as of 15 July 2021. Meanwhile, warehouse stock at SHFE now stands at 70243mt which has dropped 56780mt in the last 30 days.

Outlook

- Copper prices are consolidating in the range of \$9250-\$9550, likely to find a strong support base near \$9263-9103 while immediate resistance level is seen around 20 days EMA at \$9470 and 50 days EMA at \$9542

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