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Russia plans to increase oil production in the next OPEC meeting  
Strength in dollar post better earnings are pushing gold down  
Copper remains in a range ahead of China's first-quarter data  
A rally into equities and FII's inflow supporting the Indian rupee

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## CRUDE OIL CORRECTS MARGINALLY AFTER RUSSIA PLANS TO INCREASE OIL PRODUCTION IN THE NEXT OPEC MEETING

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- ▲ Russia and other producers are reducing output by 1.2 million bpd from Jan. 1 for six months. Saudi Arabia could raise output from July if disruptions continue elsewhere.
  - ▲ Russia and OPEC may decide to boost production to fight for market share with the United States but this could push oil prices to as low as \$40 per barrel.
  - ▲ Brent oil is trading near five-month highs as concerns over global supplies remain intact. The head of Libya's National Oil Corp warned on Friday that renewed fighting could wipe out crude production in the country. OPEC+ members are meeting in June to decide whether to continue withholding supply.
  - ▲ Crude inventories probably grew by 2m bbl to 458.6m bbl for the week ended April 12, according to the median estimate of 8 analysts surveyed by Bloomberg.
  - ▲ The API weekly Inventory Report will be released today, while EIA will release stock level on Wednesday.
- Outlook
- ▲ Brent oil may remain higher following supply concerns from OPEC+ nations and US oil imports. However, concerns about the global economy are acting as a headwind which could reduce demand. Brent oil is holding above resistance turned support levels of \$70 per barrel; we see a further bullish move towards \$72.15 and \$73.20 per barrel in the near term; immediate key support remains near 68.40-66.40.

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## STRENGTH IN DOLLAR POST BETTER EARNINGS ARE PUSHING GOLD DOWN

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- ▲ Gold held near the lowest level in more than a week as investors weighed the uptick in the dollar with the pause in the equity rally, while treasuries steadied amidst the earnings season in the U.S.
- ▲ Venezuela is speculated to sell about \$400 million in gold despite a growing international push to freeze the country's assets. U.S. Treasury Secretary Steven Mnuchin said on Saturday a U.S.-China trade agreement would go "way beyond" previous efforts to open China's markets to U.S. companies.
- ▲ On Friday, positive US economic data also weighed on the gold prices; the Producer Price Index rose 0.6 percent in March, topping estimates.
- ▲ Filings for U.S. unemployment benefits unexpectedly dropped to 196,000, falling to the lowest level since 1969. The Federal Reserve is seeing jobs data as a barrier to raise interest rates further.
- ▲ The micro-economic data from both China and the U.S. has been consistently upbeat for equities and supporting their currency is the reason behind the current sell-off in gold.

### Outlook

- ▲ A short term recovery in gold prices was a result of weakness in the dollar index after the IMF report on the global economic growth, which is expected to be slower than anticipated earlier, however, strong US economic data pushed the dollar higher and we have seen a steady correction in gold prices since then. Gold is expected to face minor resistance around \$1,305-1,312, while key support remains near \$1,285. Gold continues to receive support from trade tensions between US-Russia and world economic conditions after the recent tariff war, but positive US economic data, higher equities, US-China trade talks and outcome of FOMC minutes is pushing the dollar higher, which may result in softer gold prices.

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## COPPER REMAINS IN A RANGE AHEAD OF CHINA'S FIRST-QUARTER DATA

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- ▲ China's first-quarter economic growth is expected to have cooled to the weakest pace in at least 27 years (Reuters Survey).
- ▲ Output is forecast to have increased 5.9 percent from a year earlier, quickening from 5.3 percent in the first two months, which was the weakest pace in 17 years.
- ▲ Economic measures taken by the Central Bank and the government may boost domestic demand. Chinese data from Friday is supporting copper and other industrial metals.

### Mining News

- ▲ Bambas mine in Peru has progressively restored critical supplies and increased staffing levels over the last week.
- ▲ Rio Tinto Ltd. said it would invest an extra \$302 million to develop its Resolution Copper project.
- ▲ Copper is expected to have further disruptions this year as compared to 2018, as labour strike, extreme weather and unexpected project delays will knock as much as a million tonnes off 2019 production, Chilean miner Antofagasta's Chief Executive said.

### Outlook

- ▲ LME 3M Copper may remain in the 6,400-6,550 range this week with a slight bullish bias as US-China may reach a trade deal. Decreasing LME, SHFE copper inventories and positive US & China economic data are supporting the positive move in copper prices.

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## A RALLY INTO EQUITIES AND FII'S INFLOW SUPPORTING THE INDIAN RUPEE AND RISING OIL PRICES IS A REASON TO WORRY

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- ▲ The domestic equity indices – Sensex & Nifty – hit fresh record highs on robust earnings data from TCS; the Indian rupee pushed higher and the market also received support from softening oil prices. The global cues remain positive with MSCI's broadest index of Asia-Pacific shares hovering around a nine-month high.
- ▲ Indian WPI inflation increased to 3.18 pc in March, up from 2.93 pc in February. In another release on Friday, core inflation rose at a slower pace of 4.97% in March compared to 5.36% in the previous month. Industrial production in February rose a mere 0.1% compared to a growth of 1.7% in the previous month. Higher inflation and slower IIP growth is a signal of weakness in the economy. Rising crude oil prices may keep gains limited

### FII and DII Data:-

- ▲ Foreign Funds (FII's) bought shares worth Rs. 713 crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs. 581.36 crore on April 15th. In April 2019, FII's net bought shares worth Rs. 6,032.43 crores, while DII's were net sellers to the tune of Rs. 973.14 crores.

### Outlook

- ▲ Recent macro-economic data are pushing the Indian rupee lower, indicating slower growth expectations. Even the IMF has lowered the Indian growth forecast for the years 2019 and 2020. The Indian rupee is expected to weaken further if crude oil prices continue to trade higher in the near term. USD-INR could find support near 68.80-68.40, while important resistance is seen around 69.69-70.23.

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