
Gold prices corrected marginally from a near nine-year peak on positive Chinese data
OPEC and Russia agree to ease record supply curbs from August
Nickel experiencing a slight correction after a smart rally

GOLD PRICES CORRECTED marginally FROM A NEAR NINE-YEAR PEAK ON POSITIVE CHINESE DATA

- Gold prices corrected marginally from a near nine-year peak, following positive data from China, which supported equity markets. However, concerns over rising coronavirus cases, and US-China tensions are likely to keep supporting gold prices in the near term.
- China's economic data- China's economy grew 3.2% in the second-quarter, from a year earlier. It recovered from a record contraction, as lockdown measures ended, and policymakers stepped up stimulus measures.
- Coronavirus cases continue to rise in the US, with many states temporarily halting the reopening of their economies to stem the outbreak, which has infected more than 13 million people worldwide so far.
- Fed officials warned on Tuesday that the U.S. economy faces a longer recovery from the pandemic, and economic pain could still worsen as cases mount.
- Simmering tensions between Washington and Beijing also loom large, after U.S. President Donald Trump signed an executive order, ending preferential treatment for Hong Kong, and also shut the door on "Phase 2" trade negotiations with China.
- BOJ meeting- The Bank of Japan kept the monetary policy steady on Wednesday, and maintained its view that the economy would gradually emerge from the coronavirus pandemic's devastating blow, signalling a pause after delivering stimulus twice so far this year. "Japan's economy is expected to gradually improve from the latter half of this year. But, the pace of recovery will be moderate, as the effect of the global coronavirus pandemic will remain," the BOJ said in a quarterly outlook report. As widely expected, the BOJ left unchanged, its short-term interest rate target at -0.1%, and a pledge to guide the 10-year government bond yield around 0%, by an 8-1 vote.
- ECB Meeting today- Given the extensive stimulus measures already unveiled in the bloc, we don't expect any change in policy from the ECB this week. Analysts have witnessed encouraging rebounds in both business and consumer activity data, notably sharp improvements in the PMI's, and retail sales. The recovery in the Euro Area economy may be closer to a 'V-shape' than initially anticipated. At the ECB's June meeting, the Pandemic Emergency Purchase Programme (PEPP) was increased by €600 billion, more than expected, bringing the total envelope of purchases up to a mammoth €1.35 trillion. The scheme will now run until at least the end of June 2021, versus the original end of 2020 end date.

Outlook

- Gold prices are expected to remain firm on safe-haven demand, and an easing monetary policy by major global central banks. Important support levels could be seen around \$1,766 per ounce, while key resistance level is seen near \$1,825-1,832 per ounce range.

OPEC AND RUSSIA AGREE TO EASE RECORD SUPPLY CURBS FROM AUGUST

- OPEC Meeting highlights- The Organization of the Petroleum Exporting Countries (OPEC) and its allies, known as OPEC+, agreed on Wednesday to scale back oil production cuts from August, as the global economy slowly recovers from the coronavirus pandemic. OPEC+ has been cutting the output since May by 9.7 million barrels per day, or 10% of global supply, but from August, cuts will officially taper to 7.7 million bpd until December. Saudi Arabian Energy Minister, Prince Abdulaziz bin Salman, has said that the production cuts in August and September would end up amounting to about 8.1 million-8.3 million bpd, more than the headline number. That's because countries in the grouping, which over-

produced earlier this year, would compensate by making extra August-September cuts.

- EIA Crude inventory report- U.S. crude inventories fell 7.5 million barrels last week against market forecast of 2.1 million-barrel drop.
- Inventory- the American Petroleum Institute (API) estimated on Tuesday, a huge draw in crude oil inventories of 8.322 million barrels, against market expectations of a drop of 2.75 million barrels for the week ending July 10. The EIA will release official inventory data later today.
- US oil production- Oil production in the United States has now fallen from 13.1 million bpd on March 13 to 11 million bpd for July 3, according to the Energy Information Administration, for the third week in a row. Production has rebounded somewhat from the week ending June 12, which saw an average of 10.5 million bpd produced.
- Venezuela's oil production- Venezuela's production was 393,000 barrels per day (bpd) in June, down from 573,000 bpd in May, and down 52 per cent from an average of 821,000 bpd in the first quarter of the year. This was the lowest monthly total since February 1943, when Venezuela's nascent oil industry produced 353,000 bpd. The drop in exports to a 77-year low of 379,000 bpd in June was spurred by escalating US sanctions.
- China Crude imports- China's June imports of crude oil hit their highest levels on monthly and daily bases, according to Reuters calculations, based on customs data released on Tuesday. June imports reached 53.18 million tonnes, or 12.9 million barrels per day (bpd), the data from the General Administration of Customs showed, surpassing a previous record of 11.3 million bpd in May.

Outlook

- The OPEC member's decision to ease supply could compensate from rising demand as world economies are moving from the lockdown measures. WTI Crude oil prices could find support around \$38.5 per barrel, while critical resistance could be seen around \$43.70. A drop in US oil production and inventory is likely to keep oil prices firm in the short term.

NICKEL EXPERIENCING A SLIGHT CORRECTION AFTER A SMART RALLY

- Nickel has risen smartly since March-end of 2020. It rose 22.40% on the LME from its March lows. Currently, Nickel is trading lower, which looks like an organic correction, after such a sharp rally from the March levels. SHFE on warrant inventory, from 28th February, has advanced about 9%; SHFE on warrant inventory, on 1st April, was 27,538 mt, which now stands at 30,037 mt.
- A report from CISA (China Iron and Steel Association) states that steel production dipped in early July, with mills averaging 2.13 mn mt per day in the first 10 days of July. Steel is one of the most important drivers for nickel demand, as nickel is one of the raw materials used to produce steel, indicating slightly lower demand for nickel in China in the first 10-days of July as compared to last 10 days of June. Daily crude steel output hit a record high of 2.14 mn mt in the middle of June; this indicates soft demand for Nickel in the first 10-days of July.

Outlook

- Nickel has risen sharply from March-end, but currently it is experiencing an organic correction. Technically it looks set to touch its support at 20-day SMA, which is currently near \$13,000. We expect the metal to trade sideways in the \$13,000-\$13,700 range for the near term.

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Prepared by:

Mr. Kamlesh Jogi | Market Research Analyst

email: kamlesh.jogi@abans.co.in

Phone: +91 22 68354176 (Direct)

Abans Broking Services (P) Limited

36, 37, 38A, 3rd Floor, 227 Nariman Bhavan, Backbay Reclamation, Nariman Point, Mumbai-400 021

Phone +91 22 61790000 | Fax +91 22 61790000

Email: info@abans.co.in | Website: www.abans.co.in

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