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China stock supply fears likely to keep Copper prices under pressure  
The bullish trend to continue in Crude oil

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## CHINA STOCK SUPPLY FEARS LIKELY TO KEEP COPPER PRICES UNDER PRESSURE

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- ▲ LME 3M Copper prices fell to their lowest level in eight weeks on rising concerns about China stock supply concern to control rising commodity prices. It is speculated that the State Reserve Bureau, is planning to gradually release some of its stockpiles of copper, aluminum, and zinc over the coming months leading to the downturn. LME Copper 3M is currently trading near \$9,537 per mt which is sharply lower from \$10,746 per mt registered on May 10th.
- ▲ The downtrend in Copper prices started after fears increased regarding; Chinese authorities could take measures to curb a recent price rally in commodities.
- ▲ Copper prices were also under pressure ahead of the FOMC interest rate decision later today, which is likely to provide direction to metals prices. The U.S. central bank is not likely to take any action on interest rates or tapering of monthly asset purchases. But it will be interesting to watch the Fed's forecasts on inflation and the strength of the economic recovery.
- ▲
- ▲ Meanwhile, as per a report from Chile's national mining association Sonami, Chile's mining sector is set to grow 1% this year. Last year industry growth was at 1.3% despite Chile's economy shrinking by 5.8%. Chile's Central bank figures show that in 2020 mining exports were at \$41.8bn, while during the first five months of this year they reached \$23.2bn.
- ▲ On the economic data front, US May manufacturing production increased +0.9% m/m against expectations of +0.8% m/m. US May retail sales dropped -1.3% m/m and -0.7% m/m ex-autos, against expectations of -0.8% m/m and +0.4% m/m ex-autos. The Jun Empire manufacturing survey general business conditions index fell -6.9 to 17.4, against expectations of 22.7. The U.S. Jun NAHB housing market index unexpectedly fell -2 to a 10-month low of 81, weaker than expectations of unchanged at 83. The U.S. May PPI ex-food & energy rose +4.8% y/y, right on expectations and the highest level since the data series began in 2010. US economic data was mostly mixed for metals.
- ▲ As of 15th June, Copper LME warehouse stock stands at 138,300 mt which has increased from 119,875 mt a month earlier.

### Outlook

- ▲ LME 3M Copper prices are likely to face stiff resistance near 50 days EMA at \$9,743 per mt and 20 days EMA at \$9,921 per mt while it may find immediate support level around 100 days EMA at \$9,246 per mt.

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**THE BULLISH TREND TO CONTINUE IN CRUDE OIL**

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- WTI Crude oil is trading near \$72.53 on the backdrop of increased optimism of the global economic condition. Crude oil prices also found support after the prospect of extra supply coming to the market sooner from Iran faded. Indirect discussions between the US and Iran, along with other parties to the 2015 deal on Tehran's nuclear program, resumed on Saturday in Vienna and were described as "intense" by the European Union.
- Increasing economic activity in the US is likely to boost oil demand further. The Transportation Security Administration announced on Saturday that 2.03 million travelers were screened at airport security checkpoints on Friday. Also, The US Department of Transportation said vehicle miles traveled on U.S. highways in the seven days ending June 6th 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 forecasted on Thursday that global oil consumption is likely to jump by about 5 million BPD (+5%) in the second half of the current year, compared with the first half, as the world emerges from the pandemic. A positive demand outlook is likely to keep crude prices firm.
- API reported that US crude supplies dropped -8.54 million bbl last week. Market awaits official weekly inventory report from EIA later today. The consensus is for crude inventories to fall -2.5 million bbl. Weekly inventory EIA report showed that U.S. crude oil inventories as of Jun 4th 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.
- As per Baker Hughes report regarding 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.
- 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 510,499 for the week. Speculative long position rose by 18,717 contracts, while shorts dropped by 485 contracts.

**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.

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