
Brent Oil continues to trade firm on the back of rising geopolitical tensions in the Middle East

FII outflow continued for 9th session in May, higher oil prices could push rupee lower

Gold to hold 1282-1307 range, eyes US tariff war with China and military deployment in the Middle East

Copper continues to trade range bound, optimism over trade talks is providing support

Steel prices received support after president Trump's comments on trade talks

BRENT OIL CONTINUES TO TRADE FIRM ON THE BACK OF RISING GEOPOLITICAL TENSIONS IN THE MIDDLE EAST

- ▲ The US has ordered the evacuation of its embassy in Iraq hinting possible trouble with Iran. A recent attack on Saudi pumping station and its two oil tankers has also destabilized the sentiment around crude oil supplies.
- ▲ Earlier Saudi Arabia reported a drone attack on two oil pumping stations in the kingdom on Tuesday.
- ▲ U.S. national security agencies believe Iran sympathizers may have been responsible for the tanker attacks but Iranian officials denied responsibility.
- ▲ Rising tensions between the US and Iran may keep oil prices buoyant for short term despite ongoing US-China trade war and increasing crude oil inventories.
- ▲ According Weekly report by EIA US crude oil inventories rose by 5.4 million barrels last week against market expectation of a decline of 800000 barrels.
- ▲ IEA estimated growth in global oil demand to average 1.3 million barrels per day in 2019.

Outlook

- ▲ Brent oil rebounded after US military deployment in the Middle East and attack on the Saudi oil tanker which is a threat to world oil supplies. US action to evacuate embassy in Iraq indicates that tensions with Iran could escalate in the near term. Intensifying 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 crude prices 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 72.67 and \$73.90 per barrel in the near term.

FII OUTFLOW CONTINUED FOR 9TH SESSION IN MAY, HIGHER OIL PRICES COULD PUSH RUPEE LOWER

- ▲ Higher oil prices keeping the rupee under pressure, we may see more selling in the coming days
- ▲ FII outflow continued for the 9th session since May 3.
- ▲ 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
- ▲ FII and DII Data
- ▲ Foreign Funds (FII's) sold shares worth Rs.1142.44 crores, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs. 671.77 crore on 15th May 2019.
- ▲ In May 2019, FII's net sold shares worth Rs. 8209.07 crores, while DII's were net buyers to the tune of Rs. 6114.98 crores.

Outlook

- ▲ Recent macro-economic data points 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 are expected to be negatively affected. The Indian rupee could 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.

STEEL PRICES RECEIVED SUPPORT AFTER PRESIDENT TRUMP'S COMMENTS ON TRADE TALKS

- ▲ Chinese Steel Rebar future was marginally up from five-week lows after president Trump comments on tariff war and prices of steelmaking raw materials, including iron ore, also recovered.
- ▲ China's crude steel production rose 12.7% in April from March to its highest monthly level according to

official data.

- ▲ 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.
- ▲ Concern over the economic impact of a trade war with the US, Chinese Steel Rebar struggled near a five-week low. Trade war will have a negative impact on demand. China needs further economic stimulus to improve the economy and face US tariffs.

GOLD TO HOLD 1282-1307 RANGE, EYES US TARIFF WAR WITH CHINA AND MILITARY DEPLOYMENT IN THE MIDDLE EAST

- ▲ Gold corrected from one month high after President Trump tweet that US-China trade talks have not collapsed completely. US dollar remained strong and pushed gold prices lower.
- ▲ Geopolitical tensions increased after the US pulls non-essential staff from Iraq over mounting tension in the Middle East
- ▲ Prior to this, Gold rallied nearly 1% on Monday over China tariff on US goods, safe haven demand improved due to equity market selloff triggered by China tariffs.

Outlook

- ▲ Gold which rallied on US-China tariff issue cooled off once president trump tweeted that talks have not collapsed completely. Optimism over trade talk pushed the dollar higher and gold corrected on profit booking from its one month high. Gold is receiving support from Middle East tension after the Terror attack on Saudi pumping station and deployment of the US military. Gold could find important support near \$1282 and \$1270 while critical resistance remains near \$1307 and 1324.50

COPPER CONTINUES TO TRADE RANGE BOUND, OPTIMISM OVER TRADE TALKS IS PROVIDING SUPPORT

- ▲ Copper along with other base metals found some support after U.S. President Donald Trump's positive comments on talks with China.
- ▲ German economic activity expanded 0.4% quarter-on-quarter in January-March after two quarters without expansion provided some support to Copper prices. Economic activity increased because of higher household spending and booming construction industry.
- ▲ Growth in industrial output slowed in China, more than expected to 5.4 percent in April from a year earlier and 8.5% in March, market expectations were for 6.5%.
- ▲ China's exports unexpectedly shrank in April in the face of U.S. tariffs and weaker global demand.
- ▲ Retail sales were also lower than expected, with the headline number rising 7.2%, the slowest pace since May 2003.

Outlook

- ▲ LME 3M 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 to be negative for metals as demand may slow down in the coming months. Copper may receive minor support from product shortages and declining inventories, important resistance is seen near 6224-6303.

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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

Membership Details:

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