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Aluminum Market to remain tight after Alumina refinery shutdowns

Brent Oil continues its bullish rally for the fourth session on the back of rising geopolitical tensions in the Middle East

Rising Crude oil prices are keeping Rupee under pressure despite positive equities

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

FIRM STEEL DEMAND IN CHINA HAS PUSHED IRON ORE PRICES TO A RECORD HIGH

- ▲ China's iron ore futures traded at a record high since 2010, over firm demand outlook from steel mills.
- ▲ China steel mills utilization rate increased by 0.28% to 69.06% from the previous week, according to a private survey report.
- ▲ Accident at iron ore mine in China is also leading to supply shortage and was a key reason behind the current rally in prices this week. A mine was flooded on Friday morning having an annual capacity of 1.6million tonnes.
- ▲ On the contrary, to its steel restocking process may lead to slow demand for steel and iron ore in the coming weeks.

ALUMINUM MARKET TO REMAIN TIGHT AFTER ALUMINA REFINERY SHUTDOWNS

- ▲ Alumina prices at highest in almost five months as production shutdowns in Shanxi province left the market fearing for shortage in supply.
- ▲ Xinfu Group which is the biggest aluminum smelters in China is closing all production lines on its 2.8 million tonnes per year alumina refinery in Jiakou, Shanxi amid an environmental dispute.
- ▲ The aluminum market will remain tight after 1 million tonnes deficit in 2018.
- ▲ Optimism over Tariff talk may lead to fresh upside move in prices after president trump commented on trade talk.

BRENT OIL CONTINUES ITS BULLISH RALLY FOR THE FOURTH SESSION ON THE BACK OF RISING GEOPOLITICAL TENSIONS IN THE MIDDLE EAST

- ▲ Oil prices continue to trade higher, extending gains into the fourth session on the back of rising tensions in the Middle East. A further escalation to geopolitical issues in the Middle East may lead to oil supply disruption.
- ▲ The US has ordered the evacuation of its embassy in Iraq hinting possible escalation 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 of its 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.

RISING CRUDE OIL PRICES ARE KEEPING RUPEE UNDER PRESSURE DESPITE POSITIVE EQUITIES

- ▲ Higher oil prices are keeping the rupee under pressure; we may see further selling in the coming days. Brent oil is trading firm above \$72 per barrel with a 2.5% gain from the previous week.
- ▲ India awaits election results next week on May 23rd while the final phase of voting will conclude on May 19th.
- ▲ FII outflow continued for the 10th 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.953.23 crores, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs. 948 crore on May 16th.
- ▲ In May'19, FII's net sold shares worth Rs.9162.3 crores, while DII's were net buyers to the tune of Rs. 7062.98 crores.

Outlook

- ▲ Recent macro-economic data points are pushing the Indian rupee lower, indicating slower growth expectations. US-China tariff war is putting pressure on the global equities and emerging market currencies are expected to be negatively impacted. 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.

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

- ▲ Higher equities and strong dollar push gold prices down but still, uncertainty over US-China trade talk continues providing support at lower levels.
- ▲ Gold corrected from one month high after President Trump's tweet that US-China trade talks have not collapsed completely. US dollar remained strong and pushed gold prices lower.
- ▲ Geopolitical tensions escalated after the US pulls non-essential staff from Iraq over mounting tension in the Middle East

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 Eastern tensions 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.

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