
Crude oil trading flat as market eyes next OPEC meeting

Gold declining on the back of stronger than expected global data points

Copper continues to trade range bound after better than expected Chinese data

Indian rupee continues to trade in the 68.30-69.70 range

CRUDE OIL TRADING FLAT AS MARKET EYES NEXT OPEC MEETING

- ▲ Crude oil declined slightly inventories declined first time in four weeks, inventories declined by 1.396M barrels against a forecasted decline of 1.200M barrels.
- ▲ 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.
- ▲ Dollar index continues to trade flat in the 97.10-96.30 range since the last few trading sessions.

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.

GOLD DECLINING ON THE BACK OF STRONGER THAN EXPECTED GLOBAL DATA POINTS

- ▲ Gold declined to its lowest level since December end, indicating that the global economy might not be as soft as previously feared prompted investors to take risks ahead of a number of economic data points are scheduled.
- ▲ 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.
- ▲ Positive US and China economic data have weighed on gold prices; China industrial production (YoY) came at 8.5% against expected 5.6%. Chinese (YoY) GDP came in at 6.4% against expected 6.3%.
- ▲ 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.
- ▲ Dollar has been soft however gold has been declining due to optimistic global economic data points

Outlook

- ▲ Stronger than expected US and Chinese economic data points pushed gold prices down. It is expected to face minor resistance around \$1,305-1,312, while key support remains near \$1,270. 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. A break below \$1,270 could result in a decline for gold towards \$1,260 & \$1,249.

COPPER CONTINUES TO TRADE RANGEBOUND AFTER BETTER THAN EXPECTED CHINESE DATA

- ▲ Positive US and China economic data: China industrial production (YoY) came at 8.5% against expected 5.6%. Chinese (YoY) GDP came in at 6.4% against expected 6.3%. Which pushed copper higher yesterday, however it still seems to be trading in a range
- ▲ Copper prices rose on Wednesday as better-than-expected economic growth figures from China boosted expectations for higher demand in the world's top copper consumer. The data indicates tailwinds to the Chinese economy suggesting higher demand for copper in the coming sessions
- ▲ 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 is supporting copper and other industrial metals as the economy seems to be doing better than expected
- ▲ Copper is expected to have 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.

INDIAN RUPEE CONTINUES TO TRADE IN THE 68.30-69.70 RANGE

- ▲ The domestic equity indices – Sensex & Nifty – continue to trade near its all time highs as inflows continue and markets continue to find buying on dips.
- ▲ Crude oil prices continue to trade higher, however they have been more of less range bound since the past 8-10 trading sessions. If the crude rally does halt at current levels then we can expect rupee to stabilize in the trading range.
- ▲ Indian Monetary policy meeting minutes are expected to be released today.
- ▲ Dollar index has also been trading sideways which has also impacted the USD-INR pair which also continues trade in a tight range.

FII and DII Data:-

- ▲ Foreign Funds (FII's) bought shares worth Rs. 1038.58 crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs. 37.22 crore on April 18th. In April 2019, FII's net bought shares worth Rs. 7,071.01 crores, while DII's were net sellers to the tune of Rs. 935.92 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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