
Volatility increased in Gold post dovish ECB comments and President Trump tweet on meeting with Xi Jinping
Copper rallied aimed optimism in the US-China tariff issue and Codelco's mine strike
Indian Rupee is trading in tight range after rally in dollar index and crude oil prices
Optimism over US China tariff and mounting tension in Middle East pushed oil prices higher
Top China Iron future rallied nearly 6% on US-China talk optimism

VOLATILITY INCREASED IN GOLD POST DOVISH ECB COMMENTS AND PRESIDENT TRUMP TWEET ON MEETING WITH XI JINPING

- ▲ Gold remain firm ahead of U.S. Federal Reserve's monetary policy decision, volatility increased after president trump announced his meeting with his Chinese counterpart Xi Jinping. Any progress in US-China tariff issues will reduce safe haven demand for precious metals and strengthen US dollar.
- ▲ Gold is in volatile range ahead of key events this week; Fed meeting on Wednesday, ECB and BOE meeting on Thursday
- ▲ US dollar index held near a two-week high ahead of the Fed policy decision, also supported by a surprisingly dovish European Central Bank and bearish euro zone economic data. ECB President Mario Draghi said that central bank will need to ease policy again, possibly through new rate cuts or asset purchases. Comments from Draghi pushed bond yields down, falling to their lowest since early September 2017.
- ▲ Asian share markets jumped as market anticipate that Federal Reserve would follow the lead of the ECB and open the door to future rate cuts, in its policy meeting later in the day.

Outlook

- ▲ Gold could find immediate resistance near \$1356-1387 while important support remains near \$1321-1304. A possibility of economic slowdown and lower inflation in the US makes a better case for Federal Reserve to cut interest rate in the July meeting. A dovish comment from ECB chairperson may support riskier assets such as gold. Gold may face stiff resistance over improved sentiment for US-China tariff issue after president trump meeting with Xi Jinping in Japan during G-20 meeting on June 28-29th.

COPPER RALLIED AIMED OPTIMISM IN THE US-CHINA TARIFF ISSUE AND CODELCO'S MINE STRIKE

- ▲ Copper bounced on concerns about strike at Codelco's mines and optimism about progress in the U.S.-China trade war.
- ▲ Strike at Codelco's Chuquicamata copper mine has begun on Friday after failed negotiations. On Monday, Copper Mine has maintained output at 50% of capacity. Members of trade unions have been in favor of strike action last month.
- ▲ The U.S. and China presidents will meet in Japan in G-20 summit on June 28-29 in Osaka to re-launch trade talks after failed efforts last month.
- ▲ Goldman Sachs says China's copper demand may improve in the second half on increasing grid investment, housing completion, improvement in the housing starts, and potential infrastructure stimulus.

Outlook

- ▲ Short term trend continues to remain weak as world economic slowdown may decrease demand for industrial metals but copper receiving support at lower levels from improved sentiments on US-China tariff issues. The copper contract also received minor support from strike news at Codelco's Chuquicamata mine. Immediate support could be seen around 5715 while key resistance is seen near 5969-6200. Copper prices may not sustain gains for short term due to low seasonal demand in June where consumption weakens.

INDIAN RUPEE IS TRADING IN TIGHT RANGE AFTER RALLY IN DOLLAR INDEX AND CRUDE OIL PRICES

- ▲ Indian rupee lost ground on a rally in dollar index after president trump comment on US-China tariff issues and a rally into crude oil for potential conflicts between US and Iran.
- ▲ Domestic currency may trade in range in absence of any important economic release, all eyes on Fed meeting and ECB meeting.
- ▲ Fitch cuts India's growth forecast to 6.6% for FY20. In the last fiscal, the Indian economy grew at a 5-year low pace of 6.8 percent.
- ▲ Currency traders are watching global central banks meeting to be held on Wednesday and Thursday for further direction.

FII and DII Data

- Foreign Funds (FII's) bought shares worth Rs. 31.73 crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs. 181.03 crore on June 18th.
- In June'19, FII's net sold shares worth Rs.379.30 crore, while DII's were net buyers to the tune of Rs. 372.09 crore.

Outlook

- Rising crude oil prices from the current level may push Indian rupee lower in the near term. Optimism over US-China tariff war and increased FII's flow could lend some support. Markets are eying Fed meeting and ECB meeting this week for any further direction, USD-INR could find support near 68.80-68.40 levels, while important resistance is seen around 70.23 levels.

OPTIMISM OVER US CHINA TARIFF AND MOUNTING TENSION IN MIDDLE EAST PUSHED OIL PRICES HIGHER

- Oil prices gained from early losses of this week, it aimed optimism over U.S.-China trade deal and potential conflict between the U.S. and Iran.
- U.S. President Donald Trump is preparing to meet Chinese President Xi Jinping at the G20 summit in Osaka, Japan, next week. US China tariff issue will be the main focus of G-20 meeting as both countries will re-start import tariff negotiation after lost momentum last month.
- Oil prices also found support from tension in the Middle East. The United States blamed the attacks on Iran but Tehran denied involvement.
- API reported a small draw in crude oil inventory of 812,000 barrels while distillate inventories fell by 50,000 barrels and a build in gasoline inventories of 1.067 million barrels for the week ending June 13.
- OPEC Meeting- the OPEC+ group is close to agreeing their next meeting should be in Vienna on July 1-2.

Outlook

- Crude oil rallied on optimism over US-China trade talk and oil tankers attack in Middle East. Geopolitical tensions have increased after the attack on an oil tanker which pushes oil prices higher. In addition to it, OPEC supply concern may provide support to oil prices after the last week's decline. Saudi Arabia and Russia may extend output cuts and similar proposal can be seen in the coming OPEC meeting. Brent oil could find immediate support around \$60.40-59.10 per barrel meanwhile resistance is seen near \$63.50 and 64.30 per barrel.

CHINA IRON FUTURE RALLIED NEARLY 6% ON US-CHINA TALK OPTIMISM

- China's iron ore futures surged nearly 6% to hit a record high following a broad rally in prices across assets.
- US and China talks over tariff issues would restart after as U.S. President Donald Trump and his Chinese counterpart Xi Jinping meeting in Japan during G-20 meeting.
- Iron ore shipment from Australia and Brazil fell 706,000 tonnes last week from the prior week to 22.15 million tonnes according to a private survey report.
- China iron ore retreats as Vale looks to rebuild capacity and concerns that demand from China may falter this year. Vale expects to soon restore 20 million tonnes of yearly capacity at its Brucutu mine in Brazil.
- China's crude steel output hit a record high in May despite higher iron ore prices. Higher iron ore prices have dented profit margin of steel mills. China produced 89.09 million tonnes of crude steel last month, up from 85.03 million tonnes in April and 81.13 million tonnes in May. (NBS Data).
- The average daily output of the industrial metal reached 2.87 million tonnes up from a record 2.83 million tonnes in April.
- In January to May, China churned out a total of 404.88 million tonnes of steel, up 10.2 percent from the same period last year.

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