
Demand optimism keeps Oil prices near multi-year high
Gold to face stiff resistance near \$1807-\$1818

DEMAND OPTIMISM KEEPS OIL PRICES NEAR MULTI-YEAR HIGH

- ▶ WTI crude oil price is holding near the highest level since Oct'18 on the backdrop of increasing demand optimism and unstable supply situation due to Iran nuclear talks and OPEC delays.
- ▶ OPEC+ ministers delayed a meeting on output policy as the United Arab Emirates hesitated at a plan to add back 2 million barrels per day (BPD) in the second half of the year. UAE and OPEC+ postponed the ministerial meeting to Friday. OPEC+ reached a preliminary agreement to raise production by 400,000 BPD each month from August through December; however, the UAE reportedly wanted a higher production quota and blocked an agreement, forcing the meeting to be adjourned until Friday.
- ▶ Crude prices also found support from delays in Iran's nuclear talks. The seventh round of talks with world diplomats over Iran's nuclear program has been delayed with no resumption date fixed. Easy oil supply from Iran is delayed as talks are not progressing.
- ▶ Increasing economic activity and travel in the US is likely to keep oil prices firm. As per a report from US TSA on Monday 2.17 million travelers passed through US airport checkpoints on Sunday, up +13% from Saturday and up +247% y/y, and the most since the pandemic began. Additionally, US gasoline demand in the week ended June 25 rose +0.4% w/w to 9.6317 million BPD, the highest this year
- ▶ On the Inventory front, a weekly report from EIA suggests that crude inventories fell -6.72 million bbl to a 1-1/4 year low, against expectations of -4.0 million bbl. EIA distillate supplies unexpectedly fell -869,000 bbl against expectations of a +1.0 million bbl increase. However, EIA gasoline stockpiles unexpectedly rose +1.52 million bbl against expectations of a -1.0 million bbl decline.
- ▶ US crude oil inventories as of June 25 were -6.5% below the seasonal 5-year average, gasoline inventories were +0.4% above the 5-year average, and distillate inventories were -4.7% below the 5-year average. Meanwhile, US crude oil production in the week ended June 25 was unchanged at 11.1 million BPD.

Outlook

- ▶ WTI Crude oil prices are likely to trade firm while above the key support level of 20 days EMA of \$72.14 and 50 days EMA of \$69.08, while it may face resistance around \$76.5 and \$77.8

GOLD TO FACE STIFF RESISTANCE NEAR \$1807-\$1818

- ▲ Gold is marginally up from the previous day's closing but still sharply lower from a recent high of \$1919.20 registered on June 1st. Thursday's weaker than expected US ISM manufacturing data was supportive for gold prices however strength in the US dollar index is likely to keep gold prices under pressure. US Dollar index is currently trading near 92.64 which is sharply higher from the recent low of 89.53 registered on May 25th.
- ▲ Gold prices are likely to get fresh direction from today's NFP data for June Month. Non-farm payrolls are expected to rise +711,000 in June, up from the May report of +559,000, also the US unemployment rate is projected to fall by -0.2 points to 5.6%.
- ▲ On the economic data front, weekly US initial unemployment claims fell by 51,000 to a 16-month low of 364,000, against expectations for a 24,000 drop. However, continuing claims rose by 56,000 to 3.469 million. The June ISM manufacturing index fell by 0.6 points to 60.6, which showed weaker manufacturing confidence than expectations for a 0.3 point decline to 60.9. However, June US ISM prices-paid index rose sharply by 4.1 points to a 42-year high of 92.1. The May Eurozone unemployment report fell by 0.2 points to 7.9%, against expectations for a decline to only 8.0%.

Outlook

- ▲ Gold prices are likely to face stiff resistance near 20 days EMA at \$1807 and 50 days EMA at \$1818. Meanwhile, immediate support levels could be seen around \$1767 and \$1757

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