DAILY ANALYSIS REPORT

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ABANS

Central banks are disappointing gold investors
A rise in coronavirus infections could derail a recovery in fuel demand
Copper consolidates after a strong rally since March

CENTRAL BANKS ARE DISAPPOINTING GOLD INVESTORS

- Gold is down on Monday, due to strength in the US dollar. Central banks are disappointing gold investors by keeping the policy stance unchanged, and holding rates steady in expectations of an economic recovery. However, concerns over rising coronavirus cases, and US-China tensions are likely to keep supporting gold prices in the near term.
- The ECB and BOJ held key rates unchanged, and maintained the policy stance in their July meeting. Now, the PBoC, China's central bank, has also kept the policy interest rates on hold. The PBoC is adopting targeted measures, and not broad-based easing. The 1Y loan prime rate and 5Y loan prime rate remain unchanged at 3.85% and 4.65% respectively. A sharp rise in stimulus packages globally to shield economies from the fallout of the coronavirus has driven safe-haven gold 19.3 per cent higher so far this year.
- Escalating tensions between the US and China is another tailwind for gold prices. The United States is considering banning travel for all members of the Chinese Communist Party to the US.
- Worries over a surge in coronavirus cases, and its impact on the global economy, are likely to keep gold prices supported from lower levels. So far, coronavirus has infected more than 14 million people worldwide.
- On the economic data front, Japan's exports plunged 26.2% in June, from a year earlier, Ministry of Finance data showed on Monday. Markets are also eyeing the European Union Summit for cues, with leaders at an impasse over carving up a proposed 750 billion euro ($858.30 billion) recovery fund to revive economies.

Outlook

- Global central banks, such as PBOC, BOJ, and ECB are keeping policy measures steady, adopting a wait and watch approach. These policy decisions could halt the gold rally. However, a rise in U.S. - China tensions, and an uptick in coronavirus infections in some major economies is likely to keep gold fundamentally supported. Important support levels could be seen around $1,766 per ounce, while key resistance level is seen near $1,825-1,832 per ounce range.

A RISE IN CORONAVIRUS INFECTIONS COULD DERAIL A RECOVERY IN FUEL DEMAND

- Oil prices dipped on Monday, on the prospect that a rise in the pace of coronavirus infections could derail a recovery in fuel demand. Fuel demand has recovered from a 30% drop in April, after countries around the world imposed strict lockdowns; usage is still below pre-pandemic levels, and a rising number in coronavirus cases, is posing a threat to oil demand.
- US Oil imports fell 14.7 percent in June from the same month a year earlier.
- US Oil Rig count- Seeing a drop in demand in the US, the energy drillers cut the number of oil and natural gas rigs. Baker Hughes reported that the number of oil and gas rigs in the US fell again last week, by 5, to 253, marking the nineteenth straight loss in the number of active rigs. The number of oil rigs decreased for the week by 1 rig, according to Baker Hughes data, bringing the total to 180, compared to 779 active rigs this time last year. The total oil and gas rigs are now sitting at 701, fewer than this time last year.
- China's Imports- After two consecutive months of heightened purchases, Chinese imports of crude oil slowed in June. Customs data from 27 producer countries shows that exporters loaded 2.55 million barrels a day, or 22%, less of crude from May.

- The Organization of the Petroleum Exporting Countries (OPEC) and its allies, known as OPEC+, agreed to scale back oil production cuts from August. OPEC+ has been cutting the output since May, by 9.7 million barrels per day, or 10% of global supply, but from August, cuts will officially taper to 7.7 million bpd until December.

Outlook

- Crude oil prices are likely to remain under pressure, as demand outlook remain uncertain, and OPEC supply is to increase from August. WTI Crude oil prices could find support around $38.5 per barrel, while critical resistance could be seen around $43.70.

COPPER CONSOLIDATES AFTER A STRONG RALLY SINCE MARCH

- Copper is down, trading slightly lower on Monday, during the Asian session, after the stupendous 51.7% rally from the March lows, till the recent July highs, and a 47.4% rally from its March lows till today's open price on the LME. The trend undoubtedly remains bullish, but some correction/sideways movement cannot be ruled out, and cannot be complained about.
- On the inventory side also, the up move seen in copper seems to be supported by the decline in the inventory at the SHFE and the LME. The inventory at SHFE declined by 70% from 216,414 mt on 1st April 2020, to 64,626 mt on 17th July 2020, while at LME, the inventory declined by 47% from 177,250 mt, to 93,900 mt, during the same time period.
- According to reports, the Trump administration is contemplating a ban on travel to the United States for all members of the Chinese Communist Party, including their family members, and this could further deteriorate the US-China relations. With US elections scheduled for November 2020, we could see some tough decisions being taken by President Trump in the run-up to the elections.
- Sentiment is also slightly hampered due to rising coronavirus cases, where the total number of infected people has reached 13.84 million, with 588,000 deaths worldwide.

Outlook

- Copper has risen strongly, and made a high near $6,632 last week. The trend remains positive, and we could see it rising towards $6,800-$7,000 levels, while support is seen at 6,300 & 6,200 levels.

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