
Gold rallied to five year high after dovish Fed comment, eyes on BOE meeting later today

Crude oil remains higher after Iran claimed to shoot down US Spy Drone

Weakness in dollar and optimism over trade talk supported Copper

Indian rupee found strength after dollar index declined in anticipation to cut interest rate by US Federal Reserve

China's Iron future rallied high on supply constraints from Rio Tinto

GOLD RALLIED TO FIVE YEAR HIGH AFTER DOVISH FED COMMENT, EYES ON BOE MEETING LATER TODAY

- ▲ Gold rallied to the highest level in five-year after Fed meeting. US Federal Reserve remains dovish and hinted two rate cut in 2019. ECB is sounding more dovish after president Draghi statement to ease policy if inflation doesn't rise back to target.
- ▲ The US Federal Open Market Committee kept the key rate in the 2.25-2.5 percent range but hinted for a rate cut. The strong labor market, low inflation, and U.S. China tariff issues have increased the chance to cut interest rate in coming meetings.
- ▲ US dollar index corrected to one week low after Fed rate decision and supported gold prices, while 10-year U.S. Treasury yield dropped to its lowest level in nearly two years.
- ▲ Markets are turning towards BOE rate decision later in the day today.

Outlook

- ▲ Gold may find major resistance near \$1399 after its biggest two days move after ECB comments and Fed rate decision. A possibility of economic slowdown due US-China tariff war and lower inflation in the US made a better case for Federal Reserve to cut interest rate in the July meeting. A dovish comment from ECB President supported gold, now eyes on BOE meeting later in the day today. Gold may face some 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.

CRUDE OIL REMAINS HIGHER AFTER IRAN CLAIMED TO SHOOT DOWN US SPY DRONE

- ▲ Federal Reserve's dovish policy move along with Optimism over US-China tariff and mounting tension in the Middle East pushed oil prices higher. Geopolitical tension increased after Iran's elite Revolutionary Guard claimed to shot down a US "spy drone" over its territory.
- ▲ 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.
- ▲ U.S. crude stocks fell by 3.1 million barrels last week against the expectation of a 1.1 million draw according to EIA weekly inventory report. 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. OPEC and its allies could discuss to extend a deal on cutting 1.2 million barrels per day of oil production.

Outlook

- ▲ Crude oil rallied on optimism over US-China trade talk and oil tankers attack in the 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.

WEAKNESS IN DOLLAR AND OPTIMISM OVER TRADE TALK SUPPORTED COPPER

- ▲ Copper prices rallied along with most other base metals as the U.S. dollar slipped on signals that the Federal Reserve was ready to lower interest rates in coming months.
- ▲ The U.S. and China presidents will meet in the G-20 summit being held in Osaka, Japan on June 28-29 to re-launch trade talks after failed efforts last month. U.S. Trade Representative Robert Lighthizer expected to meet with Liu He in Osaka along with U.S. Treasury Secretary Steven Mnuchin before Trump's meeting there with Xi.

- ▲ Copper also received support on concerns about the 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 since 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 and workers strike 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 FOUND STRENGTH AFTER DOLLAR INDEX DECLINED IN ANTICIPATION TO CUT INTEREST RATE BY US FEDERAL RESERVE

- ▲ Indian rupee remained in volatile range after Federal Reserve policy meeting; eyes are on ECB meeting being held in the later part of the day.
- ▲ Domestic currency may trade in a range in absence of any important economic release, 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.
- ▲ Higher crude oil prices may keep gains limited; oil rallied after the drawdown in US crude oil inventories. OPEC to meet on July 2 to discuss production levels.
- ▲ FII and DII Data
- ▲ Foreign Funds (FII's) sold shares worth Rs. 97.05 crore, while Domestic Institutional Investors (DII's) sold shares to the tune of Rs. 104.91 crore on June 19th.
- ▲ In June'19, FII's net sold shares worth Rs.476.35 crore, while DII's were net buyers to the tune of Rs. 267.18 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 eyeing BOE meeting this week for any further direction while rupee receiving support after the Fed meeting. USD-INR could find support near 68.80-68.40 levels, while important resistance is seen around 70.23 levels

CHINA'S IRON FUTURE RALLIED HIGH ON SUPPLY CONSTRAINTS FROM RIO TINTO

- ▲ China's iron ore remained at new record after Rio Tinto Ltd lowered its Pilbara shipment guidance. Rio Tinto expects shipments from Pilbara at between 320 million tonnes and 330 million tonnes against the previous target of 333-342 million tonnes.
- ▲ Iron ore supply is already disrupted after Vale SA is yet to fully resume operations at Brucutu mine, currently; the mine is operating at one-third of its capacity. Vale expects to soon restore 20 million tonnes of yearly capacity at this mine.
- ▲ Iron ore shipment from Australia and Brazil fell 706,000 tonnes last week as compared to the prior week, to 22.15 million tonnes according to a private survey report.
- ▲ U.S and China talks over tariff issues would restart after the U.S. President Donald Trump and his Chinese counterpart President Xi Jinping meet in Japan during G-20 meeting.

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