
Strong economic data to support copper prices
Optimism for Iran oil supplies to keep prices under pressure

STRONG ECONOMIC DATA TO SUPPORT COPPER PRICES

- ▲ LME 3M Copper prices are trading weak following China curb to limit the rise in industrial metal prices. Copper corrected from recent high of \$10,746 registered on May 10th and now holding near \$10,000.
- ▲ Most base metals fell after China said it will strengthen its management of commodity supply and demand to curb any “unreasonable” increases in prices.
- ▲ However, weakness in dollar is likely to support copper prices, the dollar was under pressure after Thursday’s mixed U.S. economic data.
- ▲ US weekly initial unemployment claims fell -34,000 to a 14-month low of 444,000, showing a stronger labour market than expectations of 450,000. Also, Apr leading indicators rose +1.6% m/m, stronger than expectations of +1.3% m/m and the largest increase in 9 months. Conversely, the May Philadelphia Fed business outlook survey fell -18.7 to 31.5, weaker than expectations of 41.5.
- ▲ Meanwhile, metal prices are also finding support from positive economic data in Japan and Eurozone. Japan Apr exports rose +38.0% y/y, against expectations of +30.8% y/y and the biggest increase in 11 years. Also, Apr imports rose +12.8% y/y, stronger than expectations of +9.0% y/y and the biggest increase in 2-1/2 years. Eurozone Mar construction output rose +2.7% m/m, the biggest increase in 7 months. Also, German Apr PPI rose +5.2% y/y, stronger than expectations of +5.1% y/y and the strongest report in 9-3/4 years.
- ▲ The International Copper Study Group said in a report that the global world refined copper market showed a 111,000 tonne surplus in February, compared with a 20,000 tonnes surplus in January.
- ▲ LME warehouse stock for copper now stand at 126675 mt as on 21 May 2021 which has dropped by 32775 mt in last 30 days however, SHFE warehouse stock now stand 126675 mt as on 21 May 2021, which have increased by 38856 mt in last one month.

Outlook

- ▲ Global economic recovery, easing of coronavirus lock down in many countries and American infra plan is likely to keep supporting copper prices. Trend in LME Copper is looking positive while copper remains above 20 days EMA of \$10,006 and 50 days EMA of \$9,548. It is likely to find immediate resistance around \$10,260 and \$10,342

OPTIMISM FOR IRAN OIL SUPPLIES TO KEEP PRICES UNDER PRESSURE

- ▲ Crude prices are under pressure on optimism that sanctions on Iranian crude exports will soon be ended, which is likely to increase supply. WTI Crude oil prices now stand at \$62.41 which have dropped significantly from recent high of \$67.01 registered on May 18th.
- ▲ Iranian President Hassan Rouhani said that world powers had taken a "major step" to restore the 2015 nuclear deal and accept that sanctions on Iran would be lifted. President Rouhani added that "the main agreement has been made," and diplomats are still discussing "details and finer points" before there is "a final agreement."
- ▲ Meanwhile, Citigroup on Thursday said that it expects an initial 500,000 bpd increase in Iran crude exports starting in Q3 of this year.
- ▲ Global economic data on Thursday was mostly supportive for economic growth and likely to increase energy consumption.
- ▲ Rising number of Covid-19 cases globally and India is likely to keep oil prices under pressure. The overall global Covid-19 caseload has topped 165.2 million, while the deaths have surged to more than 3.42 million, according to the Johns Hopkins University. Fuel demand in India has plunged. Sales of road transport fuels in India during May 1-15 dropped -20% m/m and -28% from the same period in 2019. Average gasoline sales in India during May 1-15 fell to 52,300 mt the lowest in a year, and sales of diesel in India dropped to a 7-month low of 147,300 mt a day during May 1-15.
- ▲ However some loss of demand in India is being compensated by increasing air travel in US.
- ▲ Also, China processed a record 232 mmt of crude from Jan-April, up +12% from the same period in 2019 prior to the pandemic. It is supportive for oil prices.
- ▲ On weekly inventory front, EIA data showed that U.S. crude oil inventories as of May 14 were -1.5% below the seasonal 5-year average, gasoline inventory was -2.1% below the 5-year average, and distillate inventories were -5.3% below the 5-year average.

Outlook

- ▲ Crude Oil prices are likely to remain under pressure on the back of increasing optimism of Iranian oil supply. It may find stiff resistance near \$64.70 and \$65.44. Meanwhile immediate support level could be seen around 100 days EMA at \$59.08.

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