
Weakness in the dollar index to support gold prices
Surprise built-in inventory pushed oil prices lower

WEAKNESS IN THE DOLLAR INDEX TO SUPPORT GOLD PRICES

- Gold prices rallied above \$1,790 due to the resurgence of Covid-19 infections throughout the world, which has raised the prospects of new lockdowns. The world economy is likely to suffer from it. And global central bank may continue to support the economy by keeping interest rate lower for longer-term.
- The dollar index is trading near 91.095 which is sharply lower from the recent high of 93.470 registered on March 31st. Also, weakness has continued in United States 10-Year Bond Yield which is positive for precious metals prices. The United States 10-Year Bond Yield is now trading at 1.5574 and sharply lower from the recent high of 1.7760 registered on March 30th.
- Gold has underlying support from the Covid pandemic, which is dovish for central bank policies.
- On the economic data front, the UK Feb house price index rose +8.6% y/y, stronger than expectations of +8.0% y/y and the biggest increase in 6-1/4 years. UK Mar CPI rose +0.3% m/m and +0.7% y/y, weaker than expectations of +0.4% m/m and +0.8% y/y.

Outlook

- Gold prices are likely to trade firm while above the key support level of 50 days EMA of \$1,762. It may find stiff resistance near \$1,804 and \$1,814.

SURPRISE BUILT-IN INVENTORY PUSHED OIL PRICES LOWER

- WTI Crude oil prices are currently trading near \$60.70 per barrel which is sharply lower from the recent high of \$64.25 per barrel registered on April 20th. A surprise build in crude oil inventory and surging Covid-19 cases globally is keeping oil prices under pressure.
- Weak fuel demand due to trade restrictions in different states to prevent the spread of deadly Covid-19 cases in India is a bearish factor for crude prices. India's oil ministry reported on Tuesday that Indian refiners imported 198.2 MMT of crude for the year ended March 31, down -13% y/y and the lowest level in 6 years.
- US and Iran negotiations talks are likely to keep oil prices under pressure. US and Iran may be edging closer to starting negotiations on a nuclear deal, which could eventually allow the US to ease sanctions against Iran and allow it to export more crude oil. Iran on Tuesday said that "we think the climate of talks in Vienna is positive, and we're cautiously hopeful about the revival of the nuclear deal."
- Rapidly expanding global Covid-19 cases are negative for energy demand. The overall global Covid-19 caseload has topped 143.5 million, while the deaths have surged to more than 3.05 million, according to the Johns Hopkins University. India is leading the tally among other nation
- However crude oil prices are receiving support from Chinese crude demand. China Mar crude processing rose +20% y/y to 14.14 million BPD.
- EIA crude inventories unexpectedly rose +594,000 bbl versus expectations for a -3.5 million bbl

draw. However, EIA gasoline stockpiles rose +85,000 bbl, below expectations of +1.0 million bbl on signs of stronger demand after U.S. gasoline demand the week of April 16 rose +1.8% w/w to a 7-3/4 month high of 9.104 million BPD. Also, crude supplies at Cushing, delivery point of WTI futures, fell -1.32 million bbl to a 2-month low of 45.35 million bbl.

- As of the latest EIA report, US crude oil inventories were +0.8% above the seasonal 5-year average, gasoline inventories were -2.6% below the 5-year average, and distillate inventories were +2.1% above the 5-year average.
- Meanwhile, US crude oil production in the week ended April 16 was unchanged w/w at 11.0 million BPD and was down by -2.2 million BPD (-16.0%) from the Feb-2020 record-high of 13.1 million BPD.

Outlook

- Crude oil prices are likely to face stiff resistance near \$64.10 per barrel while key support level could be seen around \$59.90 and \$58.90 per barrel.

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