
Gold to silver ratio corrects from extreme level after Silver followed gold's move last week
Gold up on geopolitical tension but dollar limits the rise, Eyes on ECB meeting this week
A firm US dollar is keeping base metals prices lower, copper retreated from its recent high
Crude oil rallied high marginally on increasing tension in the Middle East
Rupee to remain under pressure on FII's outflow and strength in the Dollar index

GOLD TO SILVER RATIO CORRECTS FROM EXTREME LEVEL AFTER SILVER FOLLOWED GOLD'S MOVE LAST WEEK

- ▲ Gold to the silver ratio which was at multi-year high above 93 marks, corrected to 87 marks last week after silver prices rally following bullish move in gold.
- ▲ Silver rallied the highest level of \$16.625 per ounce in one year to catch gold rally last week. Silver prices may rally to \$20 per ounce if in case gold holds above \$1450 per ounce and rallies towards \$1500 per ounce in the near term.

GOLD UP ON GEOPOLITICAL TENSION BUT DOLLAR LIMITS THE RISE, EYES ON ECB MEETING THIS WEEK

- ▲ Gold rallied high with certain support by tensions in the Middle East and comments from a top Federal Reserve official to cut interest rate but the recovery in US dollar is keeping precious metals gains in a limit.
- ▲ New York Fed President John Williams said on Thursday that policymakers should add stimulus as early as possible.
- ▲ Market expectations for Fed interest rate cut remain relatively high. Fed-funds futures markets are showing a 67% probability of a 25-basis-point cut in rates, which currently stand between 2.25%-2.50% and a 32% chance of a half-basis point cut in rates. Fed meeting is scheduled for July 30-31.
- ▲ Geopolitical tension mounted after U.S. Navy ship had "destroyed" an Iranian drone in the Strait of Hormuz after an aircraft threatened the vessel, but Iran said it had no information about losing a drone.
- ▲ SPDR Gold Trust holdings rose 0.72 percent to 820.49 tonnes on Thursday from 803.18 tonnes on Wednesday.
- ▲ Hedge funds and money managers raised their bullish stance in COMEX gold in the week ending on July 16.
- ▲ The ECB meeting is scheduled on Thursday and expected to maintain interest rates at zero percent. Probable a dovish tone of Mario Draghi may put pressure on EURO.

Outlook

- ▲ US Federal Reserve likely to cut interest rate in the next meeting and increasing geopolitical tension after the US attacked an Iranian drone pushed gold prices higher. IMF comment on US dollar also provided support to gold prices. Gold future at CME may face critical resistance around \$1455-1470 while immediate support can be seen near \$1421-1402. Short to medium term trend is looking positive.

A FIRM US DOLLAR IS KEEPING BASE METALS PRICES LOWER, COPPER RETREATED FROM ITS RECENT HIGH

- ▲ Prices of copper eased after having increased overnight, as the US dollar index remains strong. US new home sales data on Wednesday and Durable goods orders data on Thursday may provide fresh direction to dollar index ahead of Fed meeting. Expectations for Fed rate cuts will support copper prices in the short term.
- ▲ Copper also trade-in range on little progress in US-China trade talks, President Donald Trump said last week that the United States still has a long way to go to conclude a trade deal with China and that they can impose tariffs on an additional \$325 billion worth of Chinese goods, if they needed to do so.
- ▲ Chinese importers seek to lift tariffs on US farm goods.
- ▲ China's economy showed some signs of stabilization but still, clear policy measures need to support the economy.
- ▲ Copper found support after Rio Tinto Group flagged long delays to the expansion of a mine viewed as a crucial untapped source of the metal. Rio said the underground facility at Oyu Tolgoi in Mongolia will

take as much as 30 months longer than expected period to get into production.

Outlook

- ▲ Copper may trade range over little progress over US-China trade talks but it may receive support from positive retails sales data and boost in Chinese infrastructure expenditure. Copper may find minor support near 5900 while immediate resistance is seen near 6078-6191. Markets are eyeing on key ECB meeting this week and Fed meeting next week to get some clear direction on monetary policy.

CRUDE OIL RALLIED HIGH marginally ON INCREASING TENSION IN THE MIDDLE EAST

- ▲ Oil rallied after the U.S. Navy destroyed an Iranian drone lead to a rising in geopolitical tension in the Middle East. Crude also rallied in anticipation that U.S. Federal Reserve will cut rates aggressively to support the economy.
- ▲ Britain pledged to defend its shipping interests in the Gulf region while the United States said to work "aggressively" to enable free passage oil tankers.
- ▲ The International Energy Agency (IEA) reduced 2019 oil demand forecast to 1.1 mbpd against last year forecast of 1.5 mbpd due to a slowing global economy until a U.S.-China trade spat is not resolved.
- ▲ The Energy Information Administration reported a drop of 3.1 million barrels in US crude oil inventory for the week ending on July 12.
- ▲ The US oil and gas rig count fell by 4 last week, active oil rigs in the US fell by 5 reaching 779 while active gas rigs increased by 2 to reach 174. The combined oil and gas rig count is now 954 for the week, with oil seeing a 79-rig decrease year on year and gas rigs down 13 since this time last year.

Outlook

- ▲ Oil prices rallied on mounting geopolitical tension in the Middle East after the US destroyed Iranian drone. OPEC production cut and mounting geopolitical tension in the Middle East along with a drop in US oil inventory may keep the oil market supported at lower levels. Although EIA forecast to cut oil demand and slowdown in the world economy due to US-China trade war may keep prices under check. Brent oil futures may face immediate resistance around \$65.40- 67.20 per barrel while the key support level is seen around \$63.20 to \$61.90 per barrel.

RUPEE TO REMAIN UNDER PRESSURE ON FII'S OUTFLOW AND STRENGTH IN THE DOLLAR INDEX

- ▲ Rupee may remain under pressure as crude oil rallied on rising geopolitical tension after the US destroyed Iran drone in the Middle East and rally in the dollar index. FII's outflow is also keeping the rupee under pressure.
- ▲ The rupee was trading firm last week as the market has anticipated an aggressive rate cut by the US Federal Reserve later but chances of a 50bp rate cuts have faded and a 25bp rate cut is most likely to be implemented in July meeting.
- ▲ Bond yields could drop further on the expectation of RBI interest rate cut in the next meeting.

FII and DII Data

- ▲ Foreign Funds (FII's) sold shares worth Rs.950.1 Crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs.733.9 crore on July 19th.
- ▲ In July'19, FII's net sold shares worth Rs. 6475.5 crores, while DII's were net buyers to the tune of Rs. 6572 crores.

Outlook

- ▲ Indian rupee may trade in a wide range of 68.90-68.20. FIIs outflow continued to grow in July to Rs.6475.5 crore following a trend from consecutively last two months while domestic institutional investors remained supportive. A correction in crude oil prices may provide support to domestic currency; India imports nearly 84% of its annual requirements.

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