
API reported a surprise build in Crude oil inventory
Copper remains negative on poor demand outlook
Gold near two week low on strong dollar, eyes on Fed meeting minutes
Rupee trades flat, eyes on election results tomorrow
Steel prices correct marginally after rising to highest levels since 2011 on demand outlook

API REPORTED A SURPRISE BUILD IN CRUDE OIL INVENTORY

- ▲ Crude oil prices corrected after API reported a build of 8.6 million barrels against market expectations of 2.53 million barrel drawdown for the week ending May 17.
- ▲ EIA weekly inventory report will be released today, estimated to show a build of 5.4 million barrels.
- ▲ Ongoing US-China trade issues are projected to affect the world economy and oil demand may slow down in the second half of 2019.
- ▲ Oil prices jumped last week after Saudi Energy Minister Khalid al-Falih indicated there was a consensus among OPEC and allied oil producers to continue limiting supplies. OPEC+ had agreed to reduce output by 1.2 million barrels per day from Jan'19.

Outlook

- ▲ Intensifying tensions between the US, Iran, and Venezuela may push oil prices higher. Saudi has already signaled that it would not be increasing production and suggested OPEC+ continue with oil production cuts; we can expect a further rise in crude prices in the coming months although trade war with China and built in US Crude oil inventory is keeping oil prices under check. We expect a further move towards \$75.95-77.93 in the near term while key support levels are seen around \$70.57-68.66 per barrel.

COPPER REMAINS NEGATIVE ON POOR DEMAND OUTLOOK

- ▲ Copper remains negative as U.S.-China trade tensions and American home sales data weigh on the outlook for demand.
- ▲ According to estimates, the US-China tariff war is keeping base metals under pressure, Chinese economic data, and stimulus so far unlikely to reverse the bearish sentiment.
- ▲ Trump administration is considering curtailing the flow of American technology to China's Hangzhou Hikvision Digital Technology Co.
- ▲ China could retaliate against the U.S. after President Donald Trump blacklisted Huawei Technologies Co
- ▲ U.S. home sales unexpectedly cooled in April, copper demand would be affected if home sales decline.
- ▲ LME speculators raised their net bullish copper bets to the highest in three weeks.

Outlook

- ▲ LME 3M copper contracts broke the support around 5988, this may push counter toward 5874-5758 in the near term. Ongoing tariff issues between the US and China are turning out to be negative for metals as demand could slow down in the coming months. US home sales data which was released yesterday indicate slow down in the US economy and will decrease demand for copper. LME 3M Copper contract may receive minor support from product shortages and declining inventories, important resistance is seen near 6224-6303.

GOLD NEAR TWO WEEK LOW ON STRONG DOLLAR, EYES ON FED MEETING MINUTES

- ▲ Gold remains near a two-week low as U.S.-China trade war support the dollar.
- ▲ The dollar strength since March has been the primary driver behind the negative move in gold, the dollar is heading for a fourth consecutive monthly rise in May, potentially the longest run of gains since 2015.
- ▲ FOMC Minutes- The minutes of the Federal Reserve's April 30-May 1st policy meeting will be released Wednesday.
- ▲ President Donald Trump blacklisted Huawei Technologies but temporary trade action allows the global tech giant to continue servicing existing customers. Trump administration is considering placing limits

on China's Hangzhou Hikvision Digital Technology Co. ability to buy U.S. technology, China may retaliate.

- ▲ Brexit- Theresa May is facing pressure to abandon her Brexit deal and speculated to quit as British prime minister within few days
- ▲ Serbia's central bank will boost gold reserves to increase stability.

Outlook

- ▲ Positive US economic data and optimism over trade talks pushed the dollar higher and gold corrected on profit booking from its one month high. Gold is not receiving support from Middle Eastern tensions after the Terror attack on Saudi pumping station and deployment of the US military. Gold is underpricing all geopolitical risks. All eyes on Federal's reserve meeting minutes to be released this Wednesday to provide further direction. Gold could find support near \$1270 and \$1260 while critical resistance remains near \$1307 and 1324.50.

RUPEE TRADES FLAT, EYES ON ELECTION RESULTS TOMORROW

- ▲ Rally in equities helps rupee gain strength yesterday but remains in range. India awaits election results next week on May 23rd while Indian equities rallied after exit poll results that the current government may regain the majority in the house.
- ▲ Minor correction in crude oil prices also provided some support to the domestic currency after a surprise build in US crude oil inventories last week.
- ▲ FIIs are pouring money into domestic equities from last two sessions after exit poll data but continue to be net sellers for the month

FII and DII Data

- ▲ Foreign Funds (FII's) bought shares worth Rs.1185.44 crores, while Domestic Institutional Investors (DII's) sold shares to the tune of Rs. 1090.32 crore on May 21st
- ▲ In May'19, FII's net sold shares worth Rs.7300.23 crores, while DII's were net buyers to the tune of Rs. 7239.71 crores.

Outlook

- ▲ Recent macro-economic data points are pushing Indian rupee lower, indicating slower growth expectations. US-China tariff war is exerting pressure on global equities and emerging market currencies are expected to be negatively impacted. Markets are eyeing election results on 23rd May while exit polls confirm current NDA government to regain the majority. Indian rupee could weaken if crude oil prices trade higher from current levels. USD-INR could find support near 68.80-68.40 levels, while important resistance is seen around 70.23 levels.

STEEL PRICES CORRECT marginally AFTER RISING TO HIGHEST LEVELS SINCE 2011 ON DEMAND OUTLOOK

- ▲ China's steel futures rose nearly 4% a day before which undermines escalating trade dispute with the United States. China expects a stronger steel demand from the property market.
- ▲ Construction activity increased in April and demand for steel rebar is projected to improve further. China's real estate investment surged 12% in April from a year earlier according to governmental data.
- ▲ Steel inventory levels also indicate improved demand in the region, Chinese traders and mills are also indicating that the demand is solid.

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