
Crude oil jumped high after Iran captured British oil tanker last week
Gold corrects marginally ahead of US economic data and ECB meeting
ICSG: Global copper supply deficit increased to 96000 ton in April from 42000 ton in March
Nickel rebound after a decline followed by gains in other base metals
Rupee to remain under pressure on FII's outflow

CRUDE OIL JUMPED HIGH AFTER IRAN CAPTURED BRITISH OIL TANKER LAST WEEK

- ▲ Oil prices trading higher on concerns that Iran seized one of the British tankers last week which led to supply disruptions. 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.
- ▲ Crude also rallied in anticipation that U.S. Federal Reserve will cut rates aggressively to support the economy.
- ▲ 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 U.S.-China trade spat is not resolved.
- ▲ 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 and Iranian guard seized a UK oil tanker. 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.

GOLD CORRECTS marginally AHEAD OF US ECONOMIC DATA AND ECB MEETING

- ▲ Gold corrects marginally from the recent high as geopolitical tension in Middle East fadeout and focus is shifting towards US economic data and ECB meeting this week and important Federal Reserve meeting next week.
- ▲ The ECB meeting is scheduled on Thursday and is expected to maintain interest rates at zero percent. Probably a dovish tone of Mario Draghi may put pressure on EURO.
- ▲ Comments from a top Federal Reserve official to cut interest rate pushed gold prices higher but the recovery in the 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. 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 0.57 percent to 825.18 tonnes on Monday from Friday.
- ▲ Hedge funds and money managers raised their bullish stance in COMEX gold in the week ending on July 16.

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 \$1402. Short to medium term trend is looking positive.

ICSG: GLOBAL COPPER SUPPLY DEFICIT INCREASED TO 96000 TON IN APRIL FROM 42000 TON IN MARCH

- ▲ According to the International Copper Study Group (ICSG), global world refined copper market showed a 96,000 tonnes deficit in April, compared with a 42,000 tonnes deficit in March.
- ▲ Copper prices may get fresh direction from US economic data and ECB meeting this week. US new

home sales data on Wednesday and Durable goods orders data on Thursday.

- ▲ Expectations for Fed rate cuts will support copper prices in the short term.
- ▲ Chinese importers seek to lift tariffs on US farm goods.

Outlook

- ▲ Copper may trade in range over little progress in US-China trade talks but it may receive support from positive retail 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.

NICKEL REBOUND AFTER A DECLINE FOLLOWED BY GAINS IN OTHER BASE METALS

- ▲ London nickel prices bounced after two days declines, still trading near one-year high following.
- ▲ Nickel prices rallied to multi-month highs last week on supply concerns in Indonesia. Indonesia relaxed a ban to export nickel ore in 2017 but said that exports will be restricted again in 2022.
- ▲ Nickel prices rallied on increased demand from industrial buyers along with supply concern in Indonesia.
- ▲ LME nickel inventories have slid by 43% over the past 12 months to the weakest since January 2013.
- ▲ Frequent earthquakes in Indonesia also caused a limited impact on Nickel pig iron (NPI) production, but temporarily suspended shipments of nickel ore from local mines

RUPEE TO REMAIN UNDER PRESSURE ON FII'S OUTFLOW, EYES ON ECB MEETING THIS WEEK AND FED MEETING NEXT WEEK

- ▲ 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. The ECB meeting will also provide fresh direction to world currency market this week on Thursday.
- ▲ 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.1916.91 Crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs.1829.90 crore on July 22nd.
- ▲ In July'19, FII's net sold shares worth Rs. 8392.46 crores, while DII's were net buyers to the tune of Rs. 8402.37 crores.

Outlook

- ▲ Indian rupee may trade in a wide range of 68.90-68.20. FIIs outflow continued to grow in July to Rs.8392.46 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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