
Copper prices are likely to remain under pressure
Crude oil is likely to trade firm

COPPER PRICES ARE LIKELY TO REMAIN UNDER PRESSURE

- ▲ Copper prices are marginally up from the recent low of \$9013 registered on June 21st; currently, prices are hovering around \$9341, still sharply lower from the recent high of \$10746 registered on May 10th. Prices recovered after favorable comments from U.S. Federal Reserve's chair Jerome Powell who reduced worries of a rate hike soon. Powell assured that the central bank's intent to encourage a "broad and inclusive" recovery of the job market and not to raise interest rates too quickly based only on the fear of coming inflation. Low interest rates for the longer term are likely to support economic recovery which increases industrial metals demand.
- ▲ Copper prices are also likely to remain under pressure due to strength in the dollar index. The dollar index rallied from the recent low of 89.5 registered on May 25th. The dollar index is currently holding near 91.8 and moderately up from yesterday's lows.
- ▲ However, prices are still under pressure in anticipation of Chinese supply from reserved stocks. China's state reserves administration said it would publicly auction a total of 100,000 tonnes of non-ferrous metals early next month in the first round. Copper and zinc sales will take place on an online platform belonging to state-owned miner and metals trader China Minmetals Corp. it is likely to auction 20,000 tonnes of copper, 30,000 tonnes of zinc, and 50,000 tonnes of aluminum on July 5 and July 6.
- ▲ US economic data was better-than-expected which is positive for industrial metals demand and copper prices. US May's existing home sales fell -0.9% m/m to 5.80 million, stronger than expectations of 5.73 million. Also, the Jun Richmond Fed manufacturing survey current conditions rose +4 to an 8-month high of 22, stronger than expectations of no change at 18.
- ▲ On the inventory front, LME Copper warehouse stock now stands at 160950 mt as of June 22 which has increased by 34275mt in the last 30 days. Meanwhile SHFE Copper warehouse stock now stands at 107576mt as of June 22 which has dropped by 55783 mt in the last 30 days.

Outlook

- ▲ Copper prices are likely to remain negative while below the key resistance level of \$9530-\$9674 meanwhile immediate support level could be seen around \$9073-\$8990

CRUDE OIL IS LIKELY TO TRADE FIRM

- ▲ Fuel demand optimism is supportive for energy prices; WTI crude oil prices are trading firm for the last several months following global recovery in energy consumption post covid. WTI crude oil is now trading at \$73.53 which is sharply higher from last week low of \$69.77

- ▲ However, the crude oil rally is likely to be capped after Russia called for OPEC+ to boost crude output in August. A Bloomberg report said that Russia is considering a proposal that OPEC+ increase its crude production when the group meets on 1st July. OPEC+ has already revived about 2 million BPD of its idle production from May to July, but some members have been calling for an increase in output as crude prices have rallied to a 2-1/2 year high. However, Saudi Energy Minister Abdulaziz bin Salman said last week that he wants to see clear evidence of a strong demand recovery before restoring more halted production.
- ▲ In a progressive step towards US-Iran nuclear talks, Ebrahim Raisi, Iran's newly elected president, said that "he seriously recommends the U.S. government swiftly return to its commitments and remove the entirety of the sanctions."
- ▲ According to the CFTC Commitments of Traders report for the week ended June 15, net long for crude oil futures jumped by 13,457 contracts to 5, 23,956 for the week. The speculative long position gained by 7013 contracts, while shorts fell 6,444 contracts.
- ▲ On the inventory front, US crude oil inventories as of June 11 were -5.1% below the seasonal 5-year average, gasoline inventories were +0.5% above the 5-year average, and distillate inventories were -6.0% below the 5-year average. Crude oil prices are likely to get fresh direction from the weekly EIA inventory report which is scheduled for release later today
- ▲ Meanwhile, US crude oil production in the week ended June 11 rose +1.8% w/w to a 1-year high of 11.2 million BPD.
- ▲ Baker Hughes reported Friday that active US oil rigs in the week ended June 18 rose by +8 rigs to a 14-month high of 373 rigs. An increase in oil rig is indicating higher oil production in the US. Oil producer is likely to get benefit from the recent rally in oil prices.

Outlook

- ▲ WTI Crude oil price is likely to trade firm while above the key support level of 20 days EMA at \$69.78 and 50 days EMA of \$67.08, while it may find stiff resistance near \$73.17-\$74.69

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Prepared by:

Mr. Kamlesh Jogi | Market Research Analyst

email: kamlesh.jogi@abans.co.in

Phone: +91 22 68354176 (Direct)

Abans Broking Services (P) Limited

36, 37, 38A, 3rd Floor, 227 Nariman Bhavan, Backbay Reclamation, Nariman Point, Mumbai-400 021

Phone +91 22 61790000 | Fax +91 22 61790000

Email: info@abans.co.in | Website: www.abans.co.in

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