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Rupee gained initial strength from early vote result in favor of ruling NDA and softer crude oil price  
Copper below \$5950 over strength in dollar and trade tension  
The dollar rose higher after Fed officials signaled a patient approach, push gold down  
US Crude oil stocks rose by 4.7 million barrels pushed prices down: EIA  
China's iron ore futures extended gains

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## The rupee gained strength from early vote results in favor of ruling NDA and softer crude oil price.

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- ▲ Rally in equity markets helps rupee gain strength, ruling NDA gained a majority in early leads pushed equities higher and supported Indian rupee
- ▲ 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

### FII and DII Data

- ▲ Foreign Funds (FII's) sold shares worth Rs.965.02 crores, while Domestic Institutional Investors (DII's) sold shares to the tune of Rs. 157.75 crore on May 22nd
- ▲ 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

- ▲ US-China tariff war is exerting pressure on global equities and emerging market currencies are expected to be negatively impacted. Indian rupee could weaken if crude oil prices trade higher from current levels. Rupee gaining momentum support from initial election results in favor of ruling BJP and NDA. USD-INR could find support near 68.80-68.40 levels, while important resistance is seen around 70.23 levels.

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## Copper below \$5950 over strength in dollar and trade tension

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- ▲ Copper fell further to the lowest level of this year as trade tensions mounted and a stronger dollar weighed on industrial commodities after Fed minutes.
- ▲ Copper remains negative over American home sales data which weigh on the outlook for demand.
- ▲ Chinese President Xi Jinping warned of difficult times ahead. China may retaliate in response, the U.S. is deliberately to cut off flows of vital technology to five Chinese companies, widening curbs already imposed on Huawei President Xi Jinping.
- ▲ Speculators' net short in LME copper has expanded to 6.2% of open contracts, the most since October
- ▲ Mining news
  - ▲ Chinese miner MMG Ltd's said on Wednesday operations at its Las Bambas mine in Peru have not been disrupted
  - ▲ Aurubis, Europe's biggest copper smelter, has agreed to buy Belgian-Spanish recycling company Metallo Group
- ▲ Japanese manufacturing activity swung back into contraction in May as export orders fell at the fastest pace in four months

### 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.

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## The dollar rose higher after Fed officials signaled a patient approach, pushing gold down

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- ▲ Gold remains weak as minutes from the last Federal Reserve meeting damped expectations for lower rates this year. Persistent U.S.-China trade fears and Brexit concerns increased risk aversion, pushed up the safe-haven Japanese currency.

- ▲ U.S. Federal Reserve officials at their last meeting agreed that their current patient approach to setting monetary policy could remain in place "for some time," further sign policymakers see little need to change rates in either direction.
- ▲ Ongoing trade war pushed global equities down provided some support to gold.
- ▲ Fed raised growth outlooks but equities took a hit on reports that the Trump administration considered cutting off the flow of vital American technology to five Chinese companies.
- ▲ SPDR Gold Trust holdings fell 0.12% to 738.81 tonnes on Wednesday from 739.69 tonnes on Tuesday.
- ▲ Brexit- Theresa May is facing pressure to abandon her Brexit deal and speculated to quit as British prime minister within a 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 under pricing 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.

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## US Crude oil stocks rose by 4.7 million barrels pushed prices down: EIA

- ▲ U.S. crude oil inventory rise by 4.7 million barrels, compared with expectations for a decrease of 599,000 barrels.
- ▲ The U.S.-China trade war is weighing on economic growth forecasts and with that, oil demand forecasts.
- ▲ Oil receives support from supply cuts by OPEC+ nations and rising geopolitical tensions escalate in the Middle East.
- ▲ 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.

## 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.

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## China's iron ore futures extended gains

- ▲ China's iron ore futures extended gains after hitting a fresh record high in the previous trading session.
- ▲ Port Inventory iron ore hit the lowest level since October 2017 at 131.7 million tonnes
- ▲ China's steel futures rose this week 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.
- ▲ China's President Xi Jinping urged the country to prepare for difficult times aiming at rising trade tension.

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