
Copper trades negatively after IMF lowers global growth forecast aimed at trade dispute and Brexit worries
Crude oil gains after API reported a drop in inventories and geopolitical tension in the Middle East
Gold corrects marginally ahead of ECB meeting, US economic data lend some support at a lower level
IAI: Global aluminum production fell by 0.5% in the first half of this year
Rupee trade negative as IMF cut its annual growth forecast for India

COPPER TRADES NEGATIVELY AFTER IMF LOWERS GLOBAL GROWTH FORECAST AIMED AT TRADE DISPUTE AND BREXIT WORRIES

- ▲ Copper may trade in the range between 5900-6078 with the positive trend as US-China discussing trade issues. US-China trade talk resumes, US official to travel to China to discuss Agricultural products. Chinese importers seek to lift tariffs on US farm goods.
- ▲ The International Monetary Fund on Tuesday cut its forecast for global growth this year and next, putting down the warning that further U.S.-China tariffs or a disorderly exit for Britain from the European Union could further slow down the world growth, weaken investments and disrupt supply chains.
- ▲ Copper prices dropped after the release of U.S. home sales data which fell more than expected in June. US existing home sales fell 1.7% in June, against market expectation of a 0.2% drop.
- ▲ 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, along with 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.

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.

CRUDE OIL GAINS AFTER API REPORTED A DROP IN INVENTORIES AND GEOPOLITICAL TENSION IN THE MIDDLE EAST

- ▲ According to API report, US crude stocks fell more than expected in the week to July 19, declining by 11 million barrels to 449 million while Crude stocks at the Cushing, Oklahoma delivery hub fell by 448,000 barrels. Official weekly US inventory report will be released today.
- ▲ IMF forecast for lower global growth has kept gains limited on the poor demand outlook for energy products across the globe.
- ▲ Oil prices were also trading higher on concerns that Iran seized one of the British tankers last week
- ▲ Focus is now shifting on central banking meeting; the U.S. Federal Reserve will cut rates aggressively to support the economy in case poor economic condition continues.
- ▲ 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.

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. 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 and IMF forecast for lower global growth 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 ECB MEETING, US ECONOMIC DATA LEND SOME SUPPORT AT A LOWER LEVEL

- ▲ Gold corrects marginally from the recent high as geopolitical tension in Middle East fadeout and focus

is shifting towards ECB meeting this week and important Federal Reserve meeting next week. US economic data supported gold prices at a lower level.

- ▲ IMF has lowered global growth forecast, which also supported gold prices, as a weak economic condition due to trade war and Brexit may support safe-haven precious metals in the short term.
- ▲ 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.
- ▲ Fed meeting is scheduled for July 30-31.

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 forecast about global growth 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.

IAI: GLOBAL ALUMINUM PRODUCTION FELL BY 0.5% IN THE FIRST HALF OF THIS YEAR

- ▲ Global aluminum production fell by 0.5% in the first half of this year, according to the International Aluminium Institute (IAI).
- ▲ Production dropped in western countries mainly due to temporary outages at two key smelters in Brazil and Canada while European smelter has just succumbed to the low-price environment.
- ▲ Chinese output fell by 3.1% in June and by 0.4% over the first six months of the year. Production in the world outside of China slid by 0.6% in the first half of this year.

RUPEE TRADE NEGATIVE AS IMF CUT ITS ANNUAL GROWTH FORECAST FOR INDIA

- ▲ The international monetary fund (IMF) lowers India's growth outlook for FY20 on weaker demand. The Indian economy is now expected to expand 30 bps lower in FY20. The economy is now expected to expand 7% in the year ending 31 March 2020, 0.3 percentage point lower than IMF's April projection.
- ▲ 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.
- ▲ 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.2607.97 Crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs.2625.10 crore on July 23rd.
- ▲ In July'19, FII's net sold shares worth Rs. 11000.43 crores, while DII's were net buyers to the tune of Rs. 11027.47 crores.

Outlook

- ▲ FIIs outflow continued to grow in July to Rs.1100.43 crore following a trend from consecutively last two months while domestic institutional investors remained supportive. Indian rupee may remain negative while in range of 69.40-68.70. A correction in crude oil prices may provide support to domestic currency; India imports nearly 84% of its annual crude oil requirement. Eyes on critical central banking meeting as a top central bank are turning dovish and want to ease liquidity to safeguard economies from slowdown after US-China trade war tariffs. The ECB meeting is being held on 25th July in this week, Fed meeting is on 30th – 31st July, next week and RBI meeting begins from 5th Aug.

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