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Oil drops nearly 6% over intensifying US-China trade war, fuel demand may drop in second half of the year  
The rupee gained strength due to weakness in crude oil prices and positive election results  
Copper remains below \$6000 over strength in dollar and trade tensions  
Gold recovers from lows over escalating trade tension between US and China  
Chinese steel futures trades down on easing supply after Mills utilization improves

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## OIL DROPS NEARLY 6% OVER INTENSIFYING US-CHINA TRADE WAR, FUEL DEMAND MAY DROP IN SECOND HALF OF THE YEAR

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- ▲ Oil prices drops along with global equities as trade war could slow global economic growth and weaken fuel demand.
- ▲ Economic data from Japan, Germany and the European Union indicates weakness.
- ▲ Secretary of State Mike Pompeo says the U.S. stands ready to negotiate with Iran when the Islamic Republic is ready.
- ▲ Crude also lost ground as Middle East tensions are moderating now. Any further action is not seen from both US and Iran post last threat.
- ▲ Meanwhile, data released overnight showed Japanese manufacturing activity contracted in May.
- ▲ U.S. crude oil inventory rise by 4.7 million barrels, compared with expectations for a decrease of 599,000 barrels.
- ▲ Outlook
- ▲ Crude oil lost the ground along with global equities as demand outlook fades over intensifying trade war between US and China. Geopolitical tension between US and Iran also cooling off as no action is seen from both the sides. Crude has broken critical support level around 68.70 and further decline is possible towards 66.2-65 while key resistance level is seen around 70.80 and 72.70

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## THE RUPEE GAINED STRENGTH DUE TO WEAKNESS IN CRUDE OIL PRICES AND POSITIVE ELECTION RESULTS

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- ▲ Indian rupee continued recovery for second day due to election results in favor of ruling BJP and NDA for clear majority in house and softer crude oil price.
- ▲ A major correction in crude oil prices also provided support to the domestic currency.
- ▲ US-China escalating trade tensions is keeping emerging market currencies under pressure.
- ▲ FII and DII Data
- ▲ Foreign Funds (FII's) bought shares worth Rs.1352.20 crores, while Domestic Institutional Investors (DII's) sold shares to the tune of Rs. 593.54 crore on May 23rd
- ▲ In May'19, FII's net sold shares worth Rs.6913.05 crores, while DII's were net buyers to the tune of Rs. 6488.42 crores

### Outlook

- ▲ US-China tariff war is exerting pressure on global equities and emerging market currencies are expected to be negatively impacted. Rupee received some momentum due to Indian election results and softer crude oil prices, however sell off into global equities and FII outflow from Indian market may keep rupee under pressure in short term. 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 REMAINS BELOW \$6000 OVER STRENGTH IN DOLLAR AND TRADE TENSIONS

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- ▲ Copper remains negative over trade tension, US home sales data and manufacturing PMI data which may weigh on the outlook for demand.
- ▲ Copper received minor support after Goldman Sachs says copper is cheap at these levels.
- ▲ U.S. new homes sales cooled in April from an 11-year high, indicating signs of softness in housing sector.
- ▲ U.S. manufacturing purchasing managers' index from IHS Markit fell two points to 50.6, the lowest

reading since 2009.

- ▲ Chinese President Xi Jinping warned of difficult times ahead. China may retaliate in response, the U.S. is deliberately cutting off flows of vital technology to five Chinese companies, widening curbs already imposed on Huawei.

## 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 indicating slow down in the US economy which is likely to 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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## GOLD RECOVERS FROM LOWS OVER ESCALATING TRADE TENSION BETWEEN US AND CHINA

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- ▲ Gold gained from 4 weeks lows as escalating trade tensions between the U.S. and China damped the outlook for growth. As global equities sell off continued for a third week and pushed gold higher.
- ▲ President Donald Trump said Thursday that China's Huawei Technologies Co. could be part of a trade pact with the country.
- ▲ 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.
- ▲ SPDR Gold Trust holdings fell 0.12% to 738.81 tonnes on Wednesday from 739.69 tonnes on Tuesday.
- ▲ Brexit- Theresa May is set to announce a timetable for her resignation. 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 underpricing all geopolitical risks. All eyes on Federal 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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## CHINESE STEEL FUTURES TRADES DOWN ON EASING SUPPLY AFTER MILLS UTILIZATION IMPROVES

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- ▲ Utilization rates at steel mills in China have risen 2.07 percentage points in the week to May 24 from 71.13% the week before according to a private survey report. Those were the highest levels since mid-July.
- ▲ The inventory of steel products with local traders continued to decrease this week by 514,800 tonnes to 11.62 million tonnes as per the private survey report.

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