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Copper prices slip lower ahead of US-China trade talks at G-20 summit  
Crude prices under pressure on concern over demand  
Indian rupee trades in range ahead of G-20 summit this week and budget next week  
Gold near six-year high on weakness in US dollar index  
Steel prices rallied on news that Tangshan will deepen production curbs till end-July

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## COPPER PRICES SLIP LOWER AHEAD OF US-CHINA TRADE TALKS AT G-20 SUMMIT

- ▲ Copper remains in range ahead of G-20 summit where the US and China may negotiate tariff and discuss trade dispute meanwhile industrial metals are receiving support amid worries due to supply, after thousands of workers of Chile's Codelco rejected the company's offer during the weekend and extended the strike at a major mine.
- ▲ Workers at Chuquicamata, one of the world's biggest copper mines, have been on strike since mid-June.
- ▲ Senior Chinese and U.S. trade officials spoke by telephone on Monday ahead of talks between Chinese President Xi Jinping and U.S. President Donald Trump

### Outlook

- ▲ The short term trend continues to remain weak as a world economic slowdown may decrease the demand for industrial metals but copper is receiving support at lower levels from improved sentiments on US-China tariff issues and a workers strike at Codelco's Chuquicamata mine. Immediate support could be seen around 5,715 while key resistance is seen near 5,969-6,200 levels. Copper prices may not sustain gains in the short term due to low seasonal demand in June where the consumption has weakened.

## CRUDE PRICES UNDER PRESSURE ON CONCERN OVER DEMAND

- ▲ Crude oil prices corrected marginally after progress in Sino-U.S. trade talks at this week's G20 meeting and in case if any solution to US-China tariff war is not found then demand may not rise as expected.
- ▲ The International Energy Agency said this month it had revised down its estimate for crude demand growth in 2019 aimed at trade dispute between US and China.
- ▲ Although Geopolitical issues are keeping oil prices firm as tensions between Iran and the United States escalated after Iran claimed to have hit a US drone. U.S. Secretary of State Mike Pompeo said that "significant" sanctions on Tehran would be announced.
- ▲ Geopolitical tensions increased after Iran's elite Revolutionary Guards claimed to have shot down a US "spy drone" over its territory. In response to on US drone, President Trump imposes new sanctions on Iran, warns U.S. 'restraint' is limited
- ▲ OPEC Meeting- the OPEC+ group is close to agreeing upon their next meeting which should be held in Vienna on July 1-2. OPEC and its allies could discuss extending a deal on cutting 1.2 million barrels per day of oil production.

### Outlook

- ▲ Crude oil rallied on optimism over US-China trade talks and the drone attack in the Middle East. Geopolitical tensions have increased after the attack on an oil tanker which pushed oil prices higher and which were further fuelled from an attack on a US drone. Saudi Arabia and Russia may extend output cuts and similar proposals can be seen in the coming OPEC meeting. Brent oil could find immediate support around \$62.80-60.15 per barrel; meanwhile, resistance is seen near \$66.90 per barrel.

## INDIAN RUPEE TRADES IN RANGE AHEAD OF G-20 SUMMIT THIS WEEK AND BUDGET NEXT WEEK

- ▲ The Budget-2019 from the newly elected Modi government will be presented next week on July 5. The market expects the budget 2019 to retain the divestment target at Rs. 90,000 crores. The Finance minister is meeting with various industry experts before the Budget presentation.
- ▲ On the global front, rising oil prices may keep the rupee under pressure but Dovish comments from the Fed and ECB are lending support at lower levels, so the rupee is trading in a tight range from last few weeks. Rising optimism over US-China trade talks may support the domestic currency; all eyes are now on the G-20 summit this week.

## FII and DII Data

- ▲ Foreign Funds (FII's) bought shares worth Rs. 207.33 Crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs.984.43 crore on June 21st.
- ▲ In June'19, FII's net sold shares worth Rs. 1438.01 crores, while DII's were net buyers to the tune of Rs. 2938.59 crores.

## Outlook

- ▲ Rising crude oil prices from the current levels may push the Indian rupee lower. The rupee is receiving initial support from a dovish Federal Reserve policy. Eyes are now on the G-20 meeting this week, where US President Trump and his Chinese counterpart Xi Jinping are scheduled to meet. Any solution to US-China tariff issues will be positive for the world economy and emerging market currencies. USD-INR could find support near 68.80-68.40 levels, while an important resistance is seen around 70.23 levels.

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## GOLD NEAR SIX-YEAR HIGH ON WEAKNESS IN US DOLLAR INDEX

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- ▲ Gold continues to remain firm over dovish Fed comments and geopolitical concerns, precious metals rallied to the highest levels in six years. US Federal Reserve remains dovish and hinted at two rate cuts in 2019. The US Federal Open Market Committee kept the key rate in the 2.25-2.5 percent range but hinted at a rate cut.
- ▲ The US dollar index corrected to lowest levels in three months following the Fed's rate decision and this also supported gold prices, while the 10-year U.S. Treasury yields dropped to their lowest levels in nearly two years.
- ▲ Geopolitical tensions in the Middle East also continue to support precious metals in the short term as Iran claimed to have shot down a U.S. drone and President Trump's subsequent reaction towards it. U.S. President Donald Trump targeted Iranian Supreme Leader Ayatollah Ali Khamenei and other top Iranian officials with sanctions.
- ▲ COT report – Net long for gold futures raised +20,085 contracts to 204,323 last week. Speculative long positions surged +24,519 contracts, while shorts added +4,434.
- ▲ SPDR Gold Trust holdings rose to 801.96 tonnes on Monday from 799.03 tonnes on Friday.

## Outlook

- ▲ Mounting geopolitical tensions between Iran-US and trade war concerns over China-US tariff issues may keep gold prices firm for the short to medium term. A possibility of economic slowdown due to the US-China tariff war and lower inflation in the US made a better case for the Federal Reserve to cut interest rates in the July meeting. A dovish comment from the ECB President has supported gold. Key support levels are seen around \$1,390-1,379, while an important resistance level is seen near 1,453 and 1,498 levels. Gold may face some resistance over improved sentiments for US-China tariff issues after President Trump's scheduled forthcoming meeting with Xi Jinping in Japan during the G-20 meeting between June 27-29th.

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## STEEL PRICES RALLIED ON NEWS THAT TANGSHAN WILL DEEPEN PRODUCTION CURBS TILL END-JULY

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- ▲ China's top steelmaking city of Tangshan ordered steel mills across the region to deepen production cuts until the end of July.
- ▲ Steelmakers are required to cut capacity by 20% according to an official statement. Chinese steel futures surged on robust demand amidst heightened production curbs.
- ▲ Rising iron prices are also keeping steel prices firm. China's iron ore remained high after Rio Tinto Ltd. lowered its Pilbara shipment guidance. Rio Tinto expects shipments from Pilbara at between 320 million tonnes and 330 million tonnes against the previous target of 333-342 million tonnes.

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