
Dollar weakness pushed gold prices on multi-months high
API report support oil prices

DOLLAR WEAKNESS PUSHED GOLD PRICES ON MULTI-MONTHS HIGH

- Gold rallied to a multi-month high as weakness continues in the dollar index. Additionally, gold prices also found support from weakness in global bond yields which are not able to sustain recent recovery.
- Gold prices bounced above \$1900 and trading slightly higher from the recent low of \$1673.30 registered on March 8th. The dollar index future continued to trade near 90.00 from last seven trading session and sharply lower from 93.47 registered on March 31st. Weakness in US bond yield is also supportive for precious metals. US 10 year bond yield is currently trading near 1.567% which is sharply lower from the recent high of 1.776% registered on March 31. The 10-year German bund yield fell to a 1-1/2 week low of -0.168% yesterday, and the 10-year UK gilt yield dropped to a 2-week low of 0.782%.
- Tuesday's US economic data was mostly supportive of gold. US home sales fell 5.9% in April and the consumer confidence index also fell against market expectations.
- However, Central bank comments on Tuesday were mixed for precious metals. ECB Governing Council member Stournaras said, "I don't see any reason for the ECB to make any change to the pace of asset purchases in the PEPP at the moment." However, Richmond Fed President Barkin said, "he pays attention to market measures of inflation expectations, and those have not yet escalated over the target."
- According to the CFTC Commitments of Traders report for the week ended May 18, net long for gold futures increased by 6,634 contracts to 198,889 for the week. Speculative long position increased by 8,106 contracts, while shorts were up by 1,472 contracts.

Outlook

- Gold prices are likely to find support from dollar weakness and it may trade firm while above key support of \$1881 - \$1863. It may face resistance around \$1918 and \$1936.

API REPORT SUPPORT OIL PRICES

- Crude oil prices are now sustaining near \$66.27 sharply higher from Friday's low of \$61.56 on the backdrop of weakness in the US dollar against other currencies and API report of inventory drop.
- The American Petroleum Institute (API) reported a draw in crude oil inventories of 439,000 barrels for the week ending May 21. The oil market is likely to get a fresh direction later today when EIA will release official inventory data. The consensus is for weekly oil inventories to fall - 1.0 million bbl. Last week, EIA data showed that U.S. crude oil inventories as of May 14 were - 1.5% below the seasonal 5-year average, gasoline inventory was -2.1% below the 5-year average, and distillate inventories were -5.3% below the 5-year average.
- Meanwhile upside in crude oil is likely to be capped due to a possible resumption of talks in

Vienna between Iran and other nations. The US, Iran, and European nations are preparing to return to Vienna this week to see if they can revive the 2015 nuclear accord. US Secretary of State Blinkin said getting a deal done is a "top priority."

- Global economic data were negative on Tuesday. The Conference Board's U.S. May consumer confidence index fell -0.3 to 117.2, against expectations of 118.8. Also, US Apr's new home sales fell -5.9% to 863,000, against expectations of a decline to 950,000. Also, German Q1 GDP was revised slightly lower to -3.4% y/y from the previously reported -3.3% y/y. However, the German May IFO business climate index increased by +2.6 point to 99.20 against the expectation of 98.00. it was supportive of energy demand.
- Rising number of Covid-19 cases globally and India is likely to keep oil prices under pressure. The overall global Covid-19 caseload has topped 167.60 million, while the deaths have surged to more than 3.48 million, according to Johns Hopkins University. Fuel demand in India has plunged. Sales of road transport fuels in India during May 1-15 dropped -20% m/m and -28% from the same period in 2019. Average gasoline sales in India during May 1-15 fell to 52,300 mt the lowest in a year, and sales of diesel in India dropped to a 7-month low of 147,300 mt a day during May 1-15.
- However, some loss of demand in India is being compensated by increasing air travel in the US and increasing oil consumption in China. US airlines and agencies are preparing for increased domestic air travel this summer. Many US airlines have increased hiring. China has processed a record 232 MMT of crude from Jan-April, up +12% from the same period in 2019.
- Baker Hughes reported Friday that active US oil rigs rose by +4 rigs in the week ended May 21 which is well above August's 15-year low of 172 rigs. An increase in Oil rigs is an early indication of future oil supply in the US.
- CFTC Commitments of Traders report in the week ended May 18 suggests that net long for crude oil futures sank by 20,614 contracts to 475,947 for the week. Speculative long positions fell by 37,588 contracts, while shorts were down by 16,974 contracts.

Outlook

- WTI Crude oil prices are likely to trade firms while above the key support level of 20 days EMA of \$64.48 and 50 days EMA \$62.91 while it may face stiff resistance near \$67.69 and \$69.50

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