
Dovish central bank policy stance to support precious metals
Positive Demand outlook to keep supporting oil prices

DOVISH CENTRAL BANK POLICY STANCE TO SUPPORT PRECIOUS METALS

- ▶ Gold prices are currently trading near \$1780.55 buoyed due to the resurgence of Covid-19 infections throughout the world, which has raised the prospects of new lockdowns. The world economy is likely to suffer from it. The global central bank may continue to support the economy by keeping the interest rate lower for the longer term. The dollar index is trading near 90.938 which is sharply lower from the recent high of 93.470 registered on March 31st. Also, weakness has continued in United States 10-Year Bond Yield which is positive for precious metals prices. The United States 10-Year Bond Yield is now trading at 1.5809 and sharply lower from the recent high of 1.7760 registered on March 30th.
- ▶ Meanwhile, Japan's central bank raised its growth forecasts for the world's third-largest economy, citing expected stronger demand, and left its ultra-loose monetary policy in place. But it acknowledged that the outlook remains "highly unclear" which is supportive of safe-haven demand in precious metals. BOJ signaled that policy could change depending on how the still-raging coronavirus pandemic evolves and affects the domestic and international economy. BOJ revised up its forecast for the 2020-2021 fiscal year that ended on March 31, projecting the economy would shrink 4.9 percent, compared with the 5.6 percent contraction it predicted in January. For the current fiscal year, it now expects 4.0 percent growth, against its January forecast of 3.9 percent, while it lifted its expectations for the fiscal year ending in March 2023 to 2.4 percent, from 1.8 percent previously.
- ▶ Dovish comments on Monday from ECB Executive Board member Panetta were bullish for precious metals. He said, "Faced with uncertainty about the true economic damage caused by the pandemic, we must preserve accommodative financing conditions well into the recovery."
- ▶ The US Fed's two-day policy meeting, which ends on Wednesday, is likely to provide fresh direction to gold prices. We expect no major policy changes, however; it will be important to watch Chairman Jerome Powell's outlook on the economy.
- ▶ On the economic data front, US Apr Dallas Fed manufacturing activity increased by 8.4 points and reached a 2-3/4 year high of 37.3, against the expectation of 30.0. US March capital goods orders nondefense ex-aircraft has increased by 0.9% m/m, which was against expectations of +1.7% m/m. Also, the German Apr IFO business expectations index unexpectedly fell -0.8 to 99.5, weaker than expectations of an increase to 101.2. German Economy Ministry on Monday raised its 2021 German GDP forecast to 3.5% from a 3.0% prediction made in January. Global economic data were mostly negative of gold.
- ▶ According to the CFTC Commitments of Traders report for the week ended April 20, net long for gold futures gained by 624 contracts to 181498 for the week. Speculative long position rose by 6472 contracts, while shorts also gained by 5848 contracts.

Outlook

- ▶ Gold has underlying support from the Covid-19 pandemic, which is dovish for central bank policies. It may trade firm while above the key support level of 20 days EMA of \$1760.9 while stiff resistance level is seen around \$1791-\$1821. Gold is likely to get fresh direction from the Fed meeting later tomorrow.

Positive Demand outlook to keep supporting oil prices

- WTI Crude oil prices are now trading near \$62.32 per barrel, but have been stuck up in a tight range of \$60.50-\$64.50 per barrel from the last several trading sessions. The upside of crude oil is capped due to rising Covid-19 cases globally however it is receiving support from positive economic data and a revised demand outlook.
- The outlook for increased crude output in Libya is likely to keep oil prices under pressure. Libya is now targeting 1.45 million barrels per day of oil output by the end of this year, 1.6 million BPD within two years, and 2.1 million BPD within three to four years
- According to the CFTC Commitments of Traders report for the week ended April 20, net long for crude oil futures gained by 7 305 contracts to 499 983 for the week. Speculative long position rose by 7 060 contracts, while shorts slipped by 245 contracts.
- The oil rig count is an early indication of production level in the US. As per the latest report from Baker Hughes Co, the US energy firms cut the number of oil rigs operating for the first time since March. The US oil rigs fell one to 343 in the week to April 23.
- OPEC+ Joint Technical Committee to raise its global 2021 crude demand forecast to 6.0 million BPD from last month's estimate of 5.6 million BPD. This is supportive of crude oil prices. OPEC Secretary-General Mohammad Barkindo said that the cartel sees "positive signals regarding the global economy and prospects for our industry." The OPEC+ Joint Technical Committee is meeting to assess the markets ahead of the OPEC+ full ministerial meeting on Wednesday.
- As per the City group projection, global crude demand has already recovered to 95% of pre-Covid-19 levels and will climb to a record of 101.5 million BPD between April and August.
- Stronger Chinese crude demand is a positive for prices after China Mar crude processing rose +20% y/y to 14.14 million BPD.
- Crude oil prices to get fresh direction from the Weekly inventory report from EIA and fed meeting outcome on Wednesday. Last Wednesday's weekly EIA data showed that U.S. crude oil inventories as of April 16 were +0.8% above the seasonal 5-year average, gasoline inventories were -2.6% below the 5-year average, and distillate inventories were +2.1% above the 5-year average. U.S. crude oil production in the week ended April 16 was unchanged w/w at 11.0 million BPD.
- The resurgence of Covid-19 infections is likely to affect energy demand and negative for crude oil prices. The overall global Covid-19 caseload has topped 147.5 million, while the deaths have surged to more than 3.11 million, according to the Johns Hopkins University.

Outlook

- WTI Crude oil prices are likely to trade firm while above the key support level of 50 days EMA of \$60.40 per barrel and 100 days EMA of \$57.03 per barrel while it may face stiff resistance near \$65.97 per barrel and \$67.69 per barrel.

DISCLOSURE & DISCLAIMER: ABANS BROKING SERVICES PVT. LTD. (ABSPL)

Prepared by:

Mr. Kamlesh Jogi | Market Research Analyst

email: kamlesh.jogi@abans.co.in

Phone: +91 22 68354176 (Direct)

Abans Broking Services (P) Limited

36, 37, 38A, 3rd Floor, 227 Nariman Bhavan, Backbay Reclamation, Nariman Point, Mumbai-400 021

Phone +91 22 61790000 | Fax +91 22 61790000

Email: info@abans.co.in | Website: www.abans.co.in

Membership Details:

MCX Member ID: 40385 / SEBI Reg. No. INZ000032733;

NCDEX: Member ID F00681 / SEBI Reg. No. INZ000032733

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations). ABans Broking Services Pvt. Ltd. (ABSPL) is a SEBI Registered Research Analyst having registration no. INH000006369. ABSPL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock Broking services. ABSPL is a subsidiary company of ABans Finance Pvt. Ltd. (AFPL). AFPL is an NBFC, registered with the RBI, in the category of non-acceptance of public deposits.

One of the group companies of ABSPL is ABans Securities Pvt. Ltd. (ASPL) which is a SEBI registered member with NSE, BSE and MSE stock exchanges. ASPL is also a Depository Participant of CDSL. ABans Commodities Pvt. Ltd. (ACIPL) is another group entity which is also a registered member with MCX in the Commodity segment. Further details are available on the group website www.abans.co.in Mandatory Disclosures as per the Regulations:

- ▲ Ownership & Material conflicts of interest –
 - ▲ Whether the Research Analyst or ABSPL, or his associate or his relative has any financial interest in the subject company and the nature of such financial interest – No
 - ▲ Whether the Research Analyst or ABSPL, or its associates or relatives, have actual/beneficial ownership of 1% or more securities of the subject company, at the end of the month immediately preceding the date of publication of this research report or date of the public appearance - No
 - ▲ Whether the Research Analyst or ABSPL, or his associate or his relative, has any other material conflict of interest at the time of publication of this research report or at the time of public appearance - No
- ▲ Receipt of Compensation –
 - ▲ Whether ABSPL, or its associates have received any compensation from the subject company in the past twelve months – No
 - ▲ Whether ABSPL, or its associates have managed or co-managed public offering of securities for the subject company in the past twelve months – No
 - ▲ Whether ABSPL, or its associates have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months – No
 - ▲ Whether ABSPL, or its associates have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months – No
 - ▲ Whether ABSPL, or its associates have received any compensation or other benefits from the subject company or third party in connection with the research report – No
- ▲ Whether the Research Analyst has served as an officer, director or employee of the subject company – No
- ▲ Whether the Research Analyst or ABSPL has been engaged in market making activity for the subject company – No
- ▲ Other material disclosures, if any

Disclaimer:

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Neither ABans Broking Pvt. Ltd. (ABSPL), nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information. The document is not, and should not be construed as an offer to sell or solicitation to buy any securities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from "ABans Broking Services Private Limited". Your feedback is appreciated on compliance@abans.co.in