
Copper unable to hold on to its gains
Crude prices rose after EIA Inventory Data
Indian rupee strengthens against the Dollar
Gold corrects further; however trend remains positive

COPPER UNABLE TO HOLD ON TO ITS GAINS

- ▲ As the strike enters thirteenth day at the Chuquicamata unions request company to reiterate the offer which was rejected by the labor unions on Saturday. If the management reaches a deal with the workers then it is likely to have a negative impact on the copper price.
- ▲ Copper was slightly higher on Thursday but in a tight range as investors are cautious ahead of the weekend meeting between U.S. and Chinese presidents on their prolonged trade dispute.
- ▲ US and China have agreed to a tentative trade truce ahead of a meeting between leaders of the two nations at the G20 summit in Japan this weekend.
- ▲ Workers at Chuquicamata, one of the world's biggest copper mines, have been on strike since mid-June, risks wiping out 10,000 metric tons of copper from the market, with having expectation of being in deficit by the year end. This could widen the supply gap estimated in May by the International Copper Study Group to be at 189,000 metric tons this year.
- ▲ Copper is used in manufacturing and construction, and is seen by investors as a gauge of economic health. A trade war between the US and China has been hurting copper prices.

Outlook

- ▲ 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. 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 is generally weak.

CRUDE PRICES ROSE AFTER EIA INVENTORY DATA

- ▲ Oil prices rose as much as 3% on 26th June after the U.S. reported that the crude inventory draw significantly above expectations. The biggest weekly inventory decline since September 2016, which dramatically took crude further up. The escalation of U.S.-Iran tensions and hopes of a resolution to the U.S.-China trade war has lifted crude oil prices significantly in the past couple of weeks.
- ▲ Trump said on Wednesday that a deal could be possible with China but also spoke of a Plan B that would initiate reducing business ties with China. Trump stirring up trade war dust via "Plan B" could damage the markets but could come into focus only if things go south at the G-20.
- ▲ 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.

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 STRENGTHENS AGAINST THE DOLLAR

- ▲ Rupee strengthened against the dollar after US Trade secretary indicated that US and China were close to a trade deal, and he's optimistic that progress is likely to be made during weekend talks between President Donald Trump and China's Xi Jinping at the G-20.
- ▲ James Bullard said while a pre-emptive rate cut would protect against a sharper-than-expected

slowdown in the US economy, but the situation doesn't justify a 50 basis points reduction in interest rates.

- ▲ 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. 106.26 Crore, while Domestic Institutional Investors (DII's) sold shares to the tune of Rs.51.47 crore on June 26th.
- ▲ In June'19, FII's net sold shares worth Rs. 173.88 crore, while DII's were net buyers to the tune of Rs. 3264.34 crore.

Outlook

- ▲ Rising crude oil prices from the current levels may push the Indian rupee lower. 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.

GOLD CORRECTS FURTHER; HOWEVER TREND REMAINS POSITIVE

- ▲ Gold declined after a strong rally on the back of profit booking, market is eyeing the meeting between Trump and Xi on the sidelines of G-20 for further cues.
- ▲ Trump indicated that a trade deal with President Xi was possible this weekend but warned he was prepared to impose tariffs on all of remaining Chinese imports if talks fail; the possibility that he may impose a lower, 10% duty on a \$300 billion of Chinese imports, instead of the currently proposed 25%.
- ▲ India's gold demand could decline 10% in 2019 as compared to the previous year, to the lowest level in about three years due to rally in local gold prices due to a record high in retail purchases during the upcoming festive season. If INR weakens then this could further fuel the rally in domestic gold prices making the precious metals even more expensive in the coming days.
- ▲ Geopolitical tensions in the Middle East also continue to support precious metals rise in the medium 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

- ▲ 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.

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
