
Russia's oil production continues to fall this month over contamination
Strong dollar over president trumps comment pushes gold marginally down, eyes on US GDP data
Overnight strength in Brent oil keeps the rupee under pressure
Copper found support over policy support from the Chinese government
Iron ore futures in China hit a fresh record high over port inventory report

BRENT OIL IS IN A RANGE NEAR \$69 OVER MIDDLE EAST TENSION AND US-CHINA TRADE WAR CONCERN

- ▲ Oil prices marginally up over Middle East tensions and OPEC-led supply cuts but the rally is limited over US-China trade tensions.
- ▲ Russia's oil production continues to fall this month over contamination and expected exports to reduce further. Russian Oil production totaled at 11.126 mbpd on May 21 down from 11.147 mbpd on May 1.
- ▲ Tensions between the US and Iran increased last week after the US said that it would deploy more troops to the Middle East.
- ▲ AS per Saudi Arabia, OPEC is not in a rush to ease supply in the coming meeting in June and the market was expected to be in balance.
- ▲ Prior to this Oil declined over intensifying US-China trade war, fuel demand may drop in the second half of the year. Oil prices dropped along with global equities as trade war could slow global economic growth and weaken fuel demand.
- ▲ Net-long exposure on crude oil has fallen for four consecutive weeks, bringing the total to 68.9k contracts reduced.
- ▲ Active oil rigs fall by 5 to reach 797 while Year-to-date, the oil rig count has declined from 877 active rigs on January 4. Oil rigs are now at their lowest since March 2018, according to Baker Hughes.

Outlook

- ▲ Crude oil lost ground along with global equities as demand outlook fades over intensifying trade war between US and China. 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.

STRONG DOLLAR OVER PRESIDENT TRUMPS COMMENT PUSHES GOLD MARGINALLY DOWN, EYES ON US GDP DATA

- ▲ Gold declined and the dollar rebounded after President Trump said that the U.S. isn't ready to make a trade deal with China. Trump added further that American tariffs on Chinese goods "could go up very, very substantially, very easily".
- ▲ China's official manufacturing PMI for May is due on Friday and U.S. first-quarter revised GDP data is due on Thursday.
- ▲ CFTC Report- Gold speculative net-long positions have declined by 35.7k contracts in last week saw. Speculative short position increased by +13k contracts and while longs position decreased by -22.7k contracts resulting in a shortage of net long.
- ▲ The SPDR Gold Trust ETF has experienced net inflows of \$108.5 million in the last two weeks.

Outlook

- ▲ Gold bounced after dollar corrected from 2 year high. US-China trade has increased risk appetite. Geopolitical issues have increased volatility in equities and providing support to precious metals. Gold could find support near \$1270 and \$1260 while critical resistance remains near \$1307 and 1324.50.

OVERNIGHT STRENGTH IN BRENT OIL KEEPS THE RUPEE UNDER PRESSURE

- ▲ Indian equities continued to trade range bound post yesterday's rally while global market sentiment remained negative over US-China trade war.
- ▲ Marginal Recovery in crude oil prices pushed rupee lower along with US-China escalating trade tension which continues to keep emerging market currencies under pressure.

- ▲ Market eyes GDP number which is scheduled to be released later this week. The market expects the GDP number to be around 6.4% in comparison to 6.6% from the previous quarter.

FII and DII Data

- ▲ Foreign Funds (FII's) bought shares worth Rs.1215.36 crores, while Domestic Institutional Investors (DII's) sold shares to the tune of Rs. 327.86 crore on May 27th
- ▲ In May'19, FII's net sold shares worth Rs.3671.36 crores, while DII's were net buyers to the tune of Rs. 5965.21 crores

Outlook

- ▲ Rupee received momentum after a rally in Indian equities following election results last week but gains were limited as crude oil gained strength after selling last week. USD-INR could find support near 68.80-68.40 levels, while important resistance is seen around 70.23 levels. US-China tariff war is still exerting pressure on global equities and emerging market currencies are expected to be negatively impacted.

COPPER FOUND SUPPORT OVER POLICY SUPPORT FROM THE CHINESE GOVERNMENT

- ▲ Copper bounced from a recent decline on expectations that China will step up policy support for its economy if the trade war with the U.S. impacts growth. China's official manufacturing PMI for May is due Friday, with economists anticipating a tick down to 49.9, which signals a contraction.
- ▲ China would look to keep VAT low for the manufacturing industry to support the economy.
- ▲ Hope for US-China trade talks faded as president Trump said that the U.S. isn't ready to make a deal with Beijing.
- ▲ Unionized workers at top copper miner Codelco's Chuquicamata mine voted on Saturday to reject contract offer.
- ▲ China's automobile sales are expected to reach around 28.1 million units this year, unchanged from 2018 levels, state news agency Xinhua reported on Sunday.
- ▲ Profits for China's industrial firms dropped in April on slowing demand and manufacturing activity. Data is indicating a slowdown in the Chinese economy.

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. LME 3M Copper contract may receive minor support from product shortages and declining inventories, important resistance is seen near 6224-6303.

IRON ORE FUTURES IN CHINA HIT A FRESH RECORD HIGH OVER PORT INVENTORY REPORT

- ▲ According to a private survey report, Iron ore port inventory has fallen to 127.8 million tonnes, as of May 24, the lowest since early 2017. Low arrival and strong demand is the reason behind inventory fall.
- ▲ Iron ore supply dimmed as a court recently ordered Vale mine to halt operations at its Brucutu iron ore mining complex, reversing a lower court decision.
- ▲ Demand for iron ore remains robust as Chinese steel mills are still running their blast furnaces intensively.
- ▲ According to world steel association, Crude steel output from China, the world's top producer and consumer of the alloy, rose to 85.0 million tonnes in April, up 12.7% from a year ago.

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