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Positive economic data to support oil prices

SUPPLY FEAR IS LIKELY ARE TO KEEP COPPER PRICES HIGHER

- ▲ LME Copper prices pushed higher supported by positive economic data from the US, American rescue plan and supply fear at Escondido and Spence mine. Copper prices also found support from increasing manufacturing activity in China.
- ▲ LME 3M copper is now trading at \$10,200 per mt which is sharply higher from the recent low of \$9,848 per mt registered on May 21st. However, prices are still trading below the recent top of \$10,746 per mt after China said it would strengthen its management of commodity supply and demand to curb “unreasonable” increases in prices and prevent them from being passed on to consumers. China’s market regulators also warned industrial metal companies to maintain “normal market order” during talks on significant gains in metal prices this year.
- ▲ On the economic data front, U.S. Q1 GDP was at 6.4% (q/q annualized), and Q1 personal consumption was revised upward to +11.3%, against expectations of +10.9%. US weekly initial unemployment claims fell -38,000 to a 14-1/4 month low of 406,000 against expectations of 425,000. US Apr capital goods orders nondefense ex-aircraft & parts rose +2.3% m/against expectations of +1.0% m/m. Positive economic data is supportive of industrial metals demand.
- ▲ China’s official manufacturing Purchasing Manager's Index (PMI) is expected to hit 51.1 in May, according to the median forecast of 21 economists polled by Reuters.
- ▲ Copper prices are also getting support from American Rescue Plan. US Senate Republicans unveiled a proposal to spend about \$928 billion over eight years on roads, bridges and broadband systems which is likely to increase industrial metals consumptions.
- ▲ Supply concern has lead recent spike in copper prices from the recent low. Miner BHP Group Ltd said it would take contingency measures after a labour union at its Escondida and Spence mines called for a strike.
- ▲ Political change in Chile and Peru is also likely to affect copper prices if it leads to tougher rules on mining.
- ▲ LME warehouse stock for copper now stands at 123,750 mt as of May 27 2021 which has dropped by 30,850 mt in the last 30 days, however; SHFE warehouse stock now stands at 154,859 mt as of May 27 2021, which have increased by 37,118 mt in the last 30 days.

Outlook

- ▲ LME 3M Copper prices likely to find immediate support at 20 days EMA at \$10,026 per mt while it may face immediate resistance near \$10,548 and \$10,797 per mt.

POSITIVE ECONOMIC DATA TO SUPPORT OIL PRICES

- ▲ Crude oil prices are now sustaining near \$66.95 sharply higher from Friday's low of \$61.56 on the back of positive US economic data, however, the rally is likely to be capped due to increasing optimism about US-Iran talks.
- ▲ The US economy is gathering momentum again along with positive jobs number which has increased hope that fuel consumption in the upcoming holiday will increase further. Traditional driving season is starting in the US from Memorial Day weekend. After a year of lockdowns to curb the coronavirus pandemic, tens of millions of American are planning road trips which are likely to increase fuel consumption.
- ▲ However, negotiators between the U.S., Iran, and European nations in Vienna is likely to keep a cap on the prices. US Secretary of State Blinkin said getting a deal done is a "top priority." Iranian Foreign Ministry Spokesman Saeed Khatibzadeh said that differences remain in talks to reinstate the 2015 nuclear agreement between Iran and world powers. Mr Khatibzadeh said the main sticking points are around the sequencing of when parties will return to compliance and Iran's ability to verify that US sanctions have been lifted.
- ▲ Meanwhile, the energy market's focus will be shifting towards the OPEC+ meet on June 1. They are likely to consider the state of the energy market and the group's crude production policy. Expectations are for OPEC+ that it will remain firm to boost crude production and ratify an increase of +840,000 BPD scheduled for July, completing a three-part process to revive 2.0 million BPD of crude output that was halted during the pandemic.
- ▲ Weekly EIA report showed that US crude oil inventories as of May 21 were -1.6% below the seasonal 5-year average, gasoline inventories were -2.9% below the 5-year average, and distillate inventories were -8.0% below the 5-year average. However, US crude oil production in the week ended May 21 was unchanged w/w to 11.0 million BPD and was down by -2.1 million BPD or -16.0% from the Feb-2020 record-high of 13.1 million BPD.

Outlook

- ▲ WTI Crude oil prices are likely to trade firms while above the key support level of 20 days EMA of \$64.92 and 50 days EMA \$63.24 while it may face stiff resistance near \$67.69 and \$69.50

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