
Base metals rose ahead of planned trade talks between U.S. and Chinese officials
Steel production restriction in Tangshan, China, is scheduled to be lifted by July 31
Gold prices marginally up ahead U.S. Federal Reserve monetary policy meeting this week
Positive Iran talks with world powers pushed oil prices down
Rupee in range against US Dollar after better US GDP number

BASE METALS ROSE AHEAD OF PLANNED TRADE TALKS BETWEEN U.S. AND CHINESE OFFICIALS

- ▲ Copper prices marginally up ahead of the Fed meeting on July 30-31; Expectations for Fed rate cuts will support copper prices in the short term.
- ▲ Copper prices are also receiving support from trade talks between the US and China. Trade negotiators from the United States and China will meet in Shanghai this week for a two-day discussion aimed at resolving the year-long trade war between the world's two biggest economies.
- ▲ Profits earned by China's industrial firms contracted in June after a brief gain the previous month, fuelling concern that a slowdown in manufacturing from a bruising trade war will drag on economic growth.
- ▲ Copper prices dropped last week as comments from European Central Bank President Mario Draghi were less dovish than market expectations after the bank held rates steady at its latest meeting.

Outlook

- ▲ Copper may trade in a range with a positive trend over progress in US-China trade talks and improved US GDP number. US GDP at 2.1% bettered expectation, strong consumer number and low inflation supported GDP in difficult times of trade war. Copper may find minor support near 5900 while immediate resistance is seen near 6078-6191. Copper prices traded negative after less dovish comment from ECB president, eyes are on key Fed meeting next week.

STEEL PRODUCTION RESTRICTION IN TANGSHAN, CHINA, IS SCHEDULED TO BE LIFTED BY JULY 31

- ▲ Steel prices in China dropped ahead of the scheduled lifting of intensified production restrictions from July 31 in the nation's top steelmaking city of Tangshan. Anti-pollution measures in Tangshan were required steel mills to curb their sintering operations by 20% up to 70% from July 21 to July 31.
- ▲ Steel production in China set to remain higher as authorities have ruled out setting blanket output restrictions on heavy industry for the coming winter, including steel mills, despite the government's campaign to curb pollution.
- ▲ Expectations for reasonably good demand for steel have increased, as China has projected to launch more infrastructure projects.

GOLD PRICES MARGINALLY UP AHEAD U.S. FEDERAL RESERVE MONETARY POLICY MEETING THIS WEEK

- ▲ Gold prices marginally up ahead U.S. Federal Reserve monetary policy meeting this week. Federal Reserve is expected to lead to a cut in U.S. interest rates.
- ▲ U.S. central bank policy meeting is scheduled for July 30-31, the market expects fed to trim its interest rate by at least 25 basis points.
- ▲ Better than expected U.S. data lifted the dollar, U.S. economic growth slowdown is less than expected in the second quarter. Fed is less likely to cut rates by 50 basis points given the economic improvement.
- ▲ US-China trade talk is in focus and expectations are low for a breakthrough.
- ▲ SPDR Gold Trust GLD holdings fell 0.14% to 818.14 tonnes on Friday from 819.32 tonnes on Thursday.
- ▲ Hedge funds and money managers reduced their bullish stance in COMEX gold in the week to July 23

Outlook

- ▲ US Federal Reserve likely to cut interest rate in the next meeting and increasing geopolitical tension after the US attacked an Iranian drone pushed gold prices higher but geopolitical may cool down soon as U.S. Secretary of State Mike Pompeo may plan a visit to Iran if needed. IMF forecast about global growth provided support to gold prices. Gold future at CME may face critical resistance around \$1455-1470 while immediate support can be seen near \$1402. Short to medium term trend is looking positive; eyes are on US-China trade talk and Fed meeting this week.

POSITIVE IRAN TALKS WITH WORLD POWERS PUSHED OIL PRICES DOWN BUT GROWTH IN THE US ECONOMY PROVIDED SUPPORT AT LOWER LEVELS

- ▲ Geopolitical tension in the Middle East eased after talks between Iran and major powers ended on a positive note.
- ▲ Economic growth in the United States slowed less than expected in the second quarter with a boom in consumer spending, supported demand outlook in the US.
- ▲ Market focused on U.S. Federal Reserve meeting, which is expected to lower interest rates and positive trade talk between US-China may improve sentiment.
- ▲ Net long for crude oil futures declined -25911 contracts to 397581 for the week. Speculative long positions dropped -7544 contracts and shorts increased +18367 contracts.
- ▲ The US oil and gas rig count fell by 8 last week. The total number of active oil rigs in the United States fell by 3 according to the report, reaching 776. The number of active gas rigs decreased by 5 to reach 169.

Outlook

- ▲ Along with poor growth outlook, Geopolitical tension in the Middle East eased after talks between Iran and major powers decreased tension, it may keep oil prices under pressure. EIA forecast to cut oil demand over a slowdown in the world economy due to US-China trade war. IMF also forecast for lower global growth this year. Brent oil futures may face immediate resistance around \$65.40- 67.20 per barrel while the key support level is seen around \$63.20 to \$61.90 per barrel.

RUPEE IN RANGE AGAINST US DOLLAR AFTER BETTER US GDP NUMBER, EYES ON US-CHINA TRADE TALK AND FED MEETING THIS WEEK

- ▲ Rupee will remain under pressure on FII's outflow. Most Asian currencies slip after firm US GDP lifts dollar index. Eyes are on Fed meeting and US-China trade talks this week.
- ▲ European Central Bank (ECB) in its policy decision on Thursday left key interest rates unchanged and provided a hint to restart economic stimulus measure to support the economy.
- ▲ Bond yields could drop further on the expectation of RBI interest rate cut in the next meeting. RBI meeting begins from 5th Aug
- ▲ FII and DII Data
- ▲ Foreign Funds (FII's) sold shares worth Rs.1503.26 Crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs.1917.52 crore on July 26th.
- ▲ In July'19, FII's net sold shares worth Rs. 14024 crores, while DII's were net buyers to the tune of Rs. 15483.7 crores.

Outlook

- ▲ FIIs outflow continued to grow in July to Rs.14024 crore following a trend from consecutively last two months while domestic institutional investors remained supportive. Indian rupee may remain negative while in range of 69.40-68.70. A correction in crude oil prices may provide support to domestic currency; India imports nearly 84% of its annual crude oil requirement. Eyes on critical central banking meeting as a top central bank are turning dovish and want to ease liquidity to safeguard economies from slowdown after US-China trade war tariffs. The Fed meeting is on 30th – 31st July this week and the RBI meeting begin from 5th Aug.

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