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World economic slowdown may lead to lower oil demand  
Stimulus hopes could lend support Copper at lower levels  
Gold receives support from falling equities across the globe on growth concern from tariff war  
Selling into Equities and FIIs outflow pushed rupee lower  
China Iron ore future prices soften after DCE increases transaction fees

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## WORLD ECONOMIC SLOWDOWN MAY LEAD TO LOWER OIL DEMAND

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- ▲ Oil prices declined and remained negative on concerns the US-China trade war could trigger a global economic slowdown. Oil is receiving some support from OPEC output cuts and political tensions in the Middle East.
- ▲ Global oil demand is so far holding up, likely averaging over 100 million barrels per day (bpd) this year for the first time but growth concern late this may have a negative impact on it.
- ▲ On Supply side 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.
- ▲ U.S. crude oil futures gained marginally after flooding. Flooding in Midwest had constrained crude flow from the main U.S. storage hub in Cushing, Oklahoma.
- ▲ AS per Saudi Arabia, OPEC is not in a rush to ease supply in the upcoming meeting in June and the market was expected to be in balance.

### Outlook

- ▲ Brent 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.

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## STIMULUS HOPES COULD LEND SUPPORT COPPER AT LOWER LEVELS

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- ▲ Copper trading in a range and remained lower on US-China trade tension. According to a Bloomberg report, word GDP would decline by 0.6% by mid of 2021 as US-China tariff war continues further. US and China jointly affecting over \$600 worth of world trade by the tariff.
- ▲ Copper found minor support at lower levels by expectations of further economic stimulus in China.
- ▲ An escalation of trade tensions could trigger further monetary and fiscal easing by the Chinese government to support growth. China would look to keep VAT low for the manufacturing industry to support the economy.
- ▲ China's official manufacturing PMI for May is due Friday, with economists are anticipating a tick down to 49.9, which signals a slowdown in manufacturing.
- ▲ According to the Reuters survey report, the copper market is expected to have a 205,550-tonne deficit this year and 172,000 tonnes in 2020
- ▲ Unionized workers at top copper miner Codelco's Chuquibambilla mine voted on Saturday to reject contract offer.
- ▲ LME Copper warehouse stock at 185,575 tonnes – has fallen nearly 20pc since May 7 and nearly down 35pc since March 17.

### 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.

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## GOLD RECEIVES SUPPORT FROM FALLING EQUITIES ACROSS THE GLOBE ON GROWTH CONCERN FROM TARIFF WAR

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- ▲ Gold found support as global economic concerns dented risk appetite although strong dollar capped gains.

- ▲ 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.
- ▲ Holdings of SPDR Gold Trust fell 0.2% to 737.34 tonnes on Tuesday from Friday.

## Outlook

- ▲ Gold bounced after dollar corrected from its 2 years 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.

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## SELLING INTO EQUITIES AND FIIS OUTFLOW PUSHED THE RUPEE LOWER

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- ▲ Indian equities continued to trade range bound with slight weakness over sell-off into global equities.
- ▲ Global market sentiment remained negative over US-China trade war.
- ▲ Losses in rupee were limited as Crude oil prices have moderated some gains and continued its negative move later in the day.
- ▲ The market is eyeing GDP number which is scheduled to be released later this week. The market expects them to be around 6.4% in comparison to 6.6% from the previous quarter.

## FII and DII Data

- ▲ Foreign Funds (FII's) sold shares worth Rs.501.11 crores, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs. 269.22 crore on May 28th
- ▲ In May'19, FII's net sold shares worth Rs.4172.47 crores, while DII's were net buyers to the tune of Rs. 6234.43 crores

## Outlook

- ▲ USD-INR could find support near 68.80-68.40 levels, while important resistance is seen around 70.23 levels. US-China tariff war continues to exert pressure on global equities and emerging market currencies are expected to be negatively impacted. Softening crude prices may provide some strength to the rupee but FIIs outflow and weakness into equities is limiting gains.

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## CHINA IRON ORE FUTURE PRICES SOFTEN AFTER DCE INCREASES TRANSACTION FEES

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- ▲ Dalian Commodity Exchange (DCE) announced an increase in transaction fees for some futures contracts. Higher fees will take effect starting on May 30.
- ▲ According to a private survey report, iron ore port inventory has declined to 127.8 million tonnes, as of May 24, the lowest since early 2017. Low arrivals 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's decision.
- ▲ Demand for iron ore remains robust as Chinese steel mills are still running their blast furnaces intensively.

## Steel -

- ▲ 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.
- ▲ S&P Global Platts expects steel production to rise this year by 2-3% to 947-956 million mt as mills keep running at higher rates to take advantage of decent margins.
- ▲ Steel output has increased by 15% over the past two years. China produced a record 928 million mt of steel in 2018, up 6.6% on the year before, according to the World Steel Association.

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Prepared by:

Mr. Kamlesh Jogi | Market Research Analyst

email: [kamlesh.jogi@abans.co.in](mailto: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](mailto:info@abans.co.in) | Website: [www.abans.co.in](http://www.abans.co.in)

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