
Gold is in range, eyes monthly nonfarm payroll data today
US crude sinks as supply concerns ease
Easing crude oil prices and FII inflow supporting rupee
Copper supply disruptions expected in Chile and Peru in the second half of this year

GOLD IS IN RANGE, EYES MONTHLY NONFARM PAYROLL DATA TODAY

- ▲ Gold remains in range with negative bias, it later declined below its 2 week low. Federal Reserve holds interest rates steady due to lack of inflationary pressures. The Fed decision lifted U.S. Treasury yields to a one-week high.
- ▲ Fed Chair Jerome Powell said inflation risks flagged during the release of the U.S. GDP data were only based on transitory factors and that there was no obligation to readjust interest rates any time soon.
- ▲ Focus on Jobs data that will be released today. ADP reported that its clients added 275,000 new employees in April far more than forecasted and the highest total since last July.
- ▲ Gold was marginally up in the start of this week over disappointing Chinese manufacturing activity, but short term trend continues to remain weak. China's manufacturing PMI in April unexpectedly declined to 50.1 in April from March's reading of 50.5.
- ▲ U.S. inflation figures exerted pressure on the dollar. The personal consumption expenditure price index excluding food and energy, slowed to 1.3% in the 12 months through March, from 1.8% in the previous month.

Outlook

- ▲ Gold drops to four month low after Fed meeting. Gold is expected to find minor support near \$1270, on a break below \$1,270 it could result in a decline for the precious metal towards \$1,260 & \$1,249. Immediate resistance level is seen around \$1297-1307. Meanwhile gold may receive some support from increasing geopolitical tensions after US-Iran sanctions waiver talks and poor China and German data.

US CRUDE SINKS AS SUPPLY CONCERNS EASE

- ▲ Rising U.S. crude oil inventories offset concerns that global oil supplies are getting tight. Crude oil prices have corrected from the recent highs despite US sanctions on Iran oil imports.
- ▲ India has asked US if it would be flexible in allowing India to continue importing Iranian crude.
- ▲ Sanction waivers ended on May 1, Indian foreign minister quoted saying that country was not in a position to immediately source enough crude oil from suppliers other than Iran
- ▲ China and Turkey largely expected to keep purchasing Iranian crude oil despite the US sanctions that have come in full force without exception from May 2nd.
- ▲ Oil prices came under pressure last week after U.S. President Donald Trump openly pressured OPEC to meet the supply shortfall caused by the tightening Iran sanctions.
- ▲ OPEC may discuss to increase production after supply short fall from Iran and Venezuela. However supply situation remains tight, oil prices surged by around 40 percent between January and April, lifted by supply cuts from OPEC and US sanction on Iran and Venezuela.
- ▲ According to experts, Iranian oil production is projected to decline to 1.9 million barrels per day in 2Q19 from 3.6 million barrels per day in 3Q18.

Outlook

- ▲ US Crude oil inventory pushed oil prices down from recent highs though Brent oil rallied last month after US pushed to end sanction waivers granted to 8 oil consumers including India and China. Brent oil is holding below key resistance levels of \$72.40 per barrel; we see a further negative move towards \$70.23 and \$68.91 per barrel in the near term if oil supply continues to increase; while oil may receive support from OPEC+ production cut and immediate resistance is seen around \$74.13 and \$75.73 per barrel.

EASING CRUDE OIL PRICES AND FIIS INFLOW SUPPORTING RUPEE

- ▲ The rupee appreciated against the US dollar driven by easing crude oil prices and strength in domestic equities.
- ▲ US Crude oil inventory pushed oil prices down from recent highs though Brent oil rallied last month after US pushed to end sanction waivers granted to 8 oil consumers including India and China.
- ▲ FII and DII Data
- ▲ Foreign Funds (FII's) bought shares worth Rs.597.54 crores, while Domestic Institutional Investors (DII's) sold shares to the tune of Rs. 791.69 crore on 2 May 2019.
- ▲ In April 2019, FII's net bought shares worth Rs. 12749.5 crores, while DII's were net sellers to the tune of Rs. 4219.46 crores.

Outlook

- ▲ Recent macro-economic data are pushing the Indian rupee lower, indicating slower growth expectations. The IMF has lowered the Indian growth forecast for 2019 and 2020. The Indian rupee is expected to weaken if crude oil prices trade higher in the near term. USD-INR could find support near 68.80-68.40 levels, while important resistance is seen around 70.23 levels.

COPPER SUPPLY DISRUPTIONS EXPECTED IN CHILE AND PERU IN THE SECOND HALF OF THIS YEAR

- ▲ Supply disruptions in Chile and Peru in the second half of this year will become more apparent according to a report.
- ▲ Tesla, a major minerals consumer, expects shortages of nickel, copper due to under-investment in the mining sector.
- ▲ Copper has been under pressure on uncertain demand outlook from China. Chinese economic growth has not yet shown a steady sign of stabilizing after last year's slowdown.
- ▲ A U.S. senator planned to introduce legislation to streamline regulation and permitting requirements for the development of mines for electric-vehicle supply chain minerals.
- ▲ Chinese market will resume on Monday after three day holiday from 1st May 2019

Outlook

- ▲ Strong dollar is keeping copper under pressure along with other base metals. Copper is trading in the 6550-6300 range in the near term, further positive news on the US-China trade war front could take copper higher from this range. Copper is trading near the lower end of this range hence a rebound towards the upper end can be seen in the coming sessions.

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