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Copper continues to trade range-bound as Chinese factory activity declined again in July  
Lead prices fell following an increase in LME warehouse inventory and eased supply concern  
Expectations of a rate cut by the Federal Reserve is keeping gold prices higher  
Crude oil trading higher after inventory drop more than expected  
Rupee weakens as FI's outflow continued, eyes on US fed meeting

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## COPPER CONTINUES TO TRADE RANGE-BOUND AS CHINESE FACTORY ACTIVITY DECLINED AGAIN IN JULY, EYES ON FED MEETING AND TRADE TALKS

- ▲ Copper gains were limited after PMI data; China's official manufacturing Purchasing Managers' Index (PMI) for July came in at 49.7 against 49.4 in June. Non-manufacturing PMI for July was 53.7 compared to 54.2 in June.
- ▲ Copper range-bound ahead of the Fed meeting on July 30-31; Expectations for Fed rate cuts will support copper prices in 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.

### Outlook

- ▲ Copper could trade in a range with a positive trend over progress in US-China trade talks and improved US GDP numbers. US GDP at 2.1% bettered expectation, strong consumer number and low inflation supported GDP in difficult times of trade war. Copper could 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.

## LEAD PRICES FELL FOLLOWING AN INCREASE IN LME WAREHOUSE INVENTORY AND EASED SUPPLY CONCERN

- ▲ Lead prices fell following an increase in LME warehouse inventory and easing supply concerns.
- ▲ LME warehouse stock continued to grow on easing supply concerns and poor economic data pointed to weakening demand. Lead inventories in LME warehouses rose 11,850 tonnes to 67,325 tonnes, but remain near their lowest in a decade.
- ▲ The lead had rallied nearly 20% from early May till mid of July as smelter outages in Australia and China curtailed production. But supply concern looking to ease now and lackluster demand from China is keeping prices under pressure.
- ▲ LME cash contract of lead moved into a discount against three-month, indicating an increase in supply in coming days.

## EXPECTATIONS OF A RATE CUT BY THE FEDERAL RESERVE IS KEEPING GOLD PRICES HIGHER

- ▲ Gold prices remain firm on expectations of a rate cut by the Federal Reserve today. Fed may announce some measure for monetary easing to support the economy. There is a very high probability that the Fed may cut rate by 25 bps on July 30-31 policy meeting.
- ▲ The dollar index traders near a two-month high against other currencies may limit gold gains.
- ▲ U.S.-China trade talks are back in focus, any breakthrough in tariff talk may reduce tensions between the two nation and support economy in the long run. Although, expectations remain low for a breakthrough. Gold is a preferred haven during times of economic and political uncertainties.

### Outlook

- ▲ Gold prices remain firm on expectations of a rate cut by the Federal Reserve this week. Fed may announce some measure for monetary easing to support the economy. U.S.-China trade talks are back in focus, any breakthrough in tariff talks may reduce tension between the two nations and support economy in the long run. We can expect the rally towards 1434-1446 in case it maintains a support level of \$1411. Any breakdown below the support level of 1411 may push counter back to 1400-1380 in the near term.

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## CRUDE OIL TRADING HIGHER AFTER INVENTORY DROP MORE THAN EXPECTED

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- ▲ The American Petroleum Institute (API) reported a drop in crude oil inventory which was higher than expectations. Inventories dropped by 6.024 million barrels for the week ending July 25, compared to the expectations of 1.818-million barrel draw. Inventories at Cushing fell by 1.4494-million barrels.
- ▲ Oil prices also remain firm on optimism that the US Fed will cut interest rates for the first time in more than ten years, which may support economic and fuel demand growth in the world. Dovish monetary policy in the United States would revive and support the global economy.
- ▲ The market is focused on the U.S. Federal Reserve meeting, which is expected to lower interest rates and trade talks 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

- ▲ ICE Brent oil is likely to trade in the range of \$62.50-64.70 per barrel this week. Crude oil remained higher aimed supply concern in the Middle East. Supply drop in the US is also proving support to oil prices after weekly inventory reported a drop of 11 million barrel against market expectation of 4 million barrels. Crude oil may remain positive this week although a lot depends on weekly US Crude oil inventory report, Federal Reserve meeting and US-China trade talks, which may provide further direction this week.

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## RUPEE WEAKENS AS FII'S OUTFLOW CONTINUED, EYES ON US FED MEETING

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- ▲ Rupee remains 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 5<sup>th</sup> Aug
- ▲ FII and DII Data
- ▲ Foreign Funds (FII's) sold shares worth Rs.644.59 Crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs.1079.72 crore on July 30th.
- ▲ In July'19, FII's net sold shares worth Rs. 15373 crores, while DII's were net buyers to the tune of Rs. 17915 crores.

### Outlook

- ▲ FIIs outflow continued in July to Rs.15373 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. Rising crude oil prices may push rupee prices further lower from current level; India imports nearly 84% of its annual crude oil requirement. Eyes on Fed meeting outcome later tonight, central bank are turning dovish and want to ease liquidity to safeguard economies from slowdown due to US-China trade war tariffs. Two day Fed meeting will conclude today while the RBI meeting begins from 5<sup>th</sup> Aug next week.

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