
Crude oil declined sharply post inventory data and Mexico tariffs
Copper declines on the back of US's duties on Mexico, further dampens the sentiment
Gold jumps sharply after us imposes sanctions on Mexico
Rupee remains range bound

CRUDE OIL DECLINED SHARPLY POST INVENTORY DATA AND MEXICO TARIFFS

- ▲ Oil prices declined after President Donald Trump said he would impose tariffs on Mexico dampening the demand outlook and stoking global recessions fears.
- ▲ President Trump announced the 5% tariffs, which will take effect from June 10th and could go as high as 25% on Oct. This is aimed at getting Mexico to stop illegal entry of immigrants in the U.S.
- ▲ Also the US crude oil inventories exhibited a smaller than expected draw, market expected a decline of 0.86m barrels where as the actual data came in at -0.28m barrels, the draw in crude oil was lesser than expected indicating demand might have slowed, Crude oil fell 3% on Thursday during the US session.
- ▲ 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.
- ▲ According to tanker data, Iran's May crude exports declined to less than half of April levels to around 400,000 barrels per day (bpd).
- ▲ Market seems to have ignored the tensions in the middle east and the sentiment seems to be deteriorating
- ▲ 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 declined sharply after US inventories yesterday, what also worsened the situation when US imposed tariffs on Mexico. Crude is trading below its important support zone of 67.50-67.00 and while above these levels a further decline towards 63.00 and 61.50 could be witnessed.

COPPER DECLINES ON THE BACK OF US'S DUTIES ON MEXICO, FURTHER DAMPENS SENTIMENT

- ▲ Copper continued to decline and remains under pressure as Trump imposed tariffs on Mexico to keep a tab on illegal Mexican immigrants
- ▲ Further Chinese PMI was released which came in around 49.4 against expectations of 49.9 which has further dampened the sentiments
- ▲ Copper is currently trading near 5850 and remains under pressure due to the US-China trade tensions. According to a Bloomberg report, world GDP is expected to 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.
- ▲ An escalation of trade tensions could trigger further monetary and fiscal easing by the Chinese government to support growth. China would keep the VAT low for the manufacturing industry to support the economy.
- ▲ 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 and to go on a strike however further details are not yet out.

Outlook

- ▲ LME 3M copper contracts broke the support around 5988 and continues to trade below it, this may push counter toward 5800 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.

GOLD JUMPS SHARPLY AFTER US IMPOSES SANCTIONS ON MEXICO

- ▲ Gold rebounded sharply on the back of economic concerns which escalated after President Trump imposed sanction on Mexico.
- ▲ What also supported gold prices was the fact expectations of cuts in US interest rates were boosted by inflation data for the first quarter. Gold is set for a first monthly gain in four months.
- ▲ 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 came in below expectations at 49.4 against expectations of 49.9 which also indicate slowing economic growth helping gold rally further. Fund flows from riskier asset classes are expected to flow towards safe haven precious metal.
- ▲ Weakness in global equities is also lending support to gold prices the precious metals is also supported by ramping up the rhetoric from the Chinese state media against the US. Both sides continue to the war of words which is making stock markets jittery and funds are slowly shifting from risky assets to safe heavens.
- ▲ Gold has had three consecutive negative months but looks set to close negatively for the fourth consecutive month if it closes below \$1285.70. It would be critical to watch out for geopolitical evens in the coming days.

Outlook

- ▲ Gold bounced after dollar corrected from its 2 years high and after Trump imposed tariffs on Mexico in order to control illegal immigration into US. Chinese manufacturing PMI came in lower than anticipated adding fire to fuel and helping gold gain ground. US-China trade rhetoric continues as both countries continue to trade barbs view local media. Geopolitical issues have increased volatility in equities and providing support to precious metals. Gold could rise further towards \$1300 and \$1310 while strong support is seen near \$1275-1265.00.

RUPEE REMAINS RANGE BOUND

- ▲ Indian equities experienced slight weakness over sell-off into global equities and the latest tariffs imposed by US on Mexico.
- ▲ Global market sentiment remained negative over US-China trade war.
- ▲ Losses in rupee were limited as Crude oil prices have declined sharply and continued its negative trend after negative news on the trade war front and inventory news.
- ▲ The dollar declined in the Friday Asia sessions however weaker equity markets have helped the case for Rupee.
- ▲ 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) bought shares worth Rs.1664.74 crore and Domestic Institutional Investors (DII's) sold shares to the tune of Rs. 1122.60 crore on May 30th
- ▲ In May'19, FII's net sold shares worth Rs.2812.00 crore, while DII's were net buyers to the tune of Rs. 4922.25 crore

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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