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Copper drops on the expectation of further delay in U.S.-China trade negotiations  
Steel futures decline as the U.S.-China trade tensions increases  
Gold mixed after positive US non-farm payroll data  
Crude oil sinks on tariff threats by Trump  
Sell off into equities pushing rupee lower, some support due to falling crude oil prices

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## COPPER DROPS ON THE EXPECTATION OF FURTHER DELAY IN U.S.-CHINA TRADE NEGOTIATIONS AFTER PRESIDENT TRUMP'S COMMENTS

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- ▲ U.S. President Donald Trump's threat of increased tariffs on Chinese goods, chances of a successful deal are now lower
- ▲ Trump said that tariffs of 10% on certain Chinese goods would increase to 25% on Friday, and \$325 billion of untaxed goods could face 25% duties "shortly"
- ▲ The sticking point to deals are intellectual property theft and disagreement as to whether tariffs should remain in place as a way to ensure even after a deal
- ▲ Trade concerns re-emerged as China speculated to consider cancellation of trade talks with the US which was scheduled to begin on Wednesday
- ▲ The Chinese market will resume on Monday after three day holiday but choppy trade is expected in metals as the UK and European markets are closed.

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## SHANGHAI STEEL FUTURES DECLINE AS THE U.S.-CHINA TRADE TENSIONS INCREASES AFTER TRUMP COMMENT ON SUNDAY

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- ▲ China's steel futures dropped as worries re-emerge over trade war after U.S. President Donald Trump said he would hike U.S. tariffs on \$200 billion worth of Chinese goods.
- ▲ Media reports speculated that China is considering canceling the trade talks with the United States this week after Trump's threat.
- ▲ Tangshan Environmental measure- Tightened environmental measures in Tangshan disturb steel supply and are offering some support to prices. Tangshan's government last week ordered steel mills in seven districts to halve production activity.
- ▲ According to private estimates around 29.2 percent of blast furnaces in Tangshan will be shut in the second quarter, which would help ease the output increase of steel products.

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## GOLD MIXED AFTER POSITIVE US NON-FARM PAYROLL DATA

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- ▲ Gold found some support after Asian markets declined sharply as U.S.-China trade deal appears in jeopardy.
- ▲ Positive US economic data pushed the dollar higher on Friday.
- ▲ The non-farm employment change figure improved to 263,000 from 189,000 in the previous month, while the unemployment rate dipped to 3.6% from 3.8% previously.
- ▲ The average hourly earnings month on month for the April period was flat at 0.2%, missing expectations of a rise to 0.3%.
- ▲ Fed Chair Jerome Powell said last week that inflation risks flagged during the release of the U.S. GDP data and there was no obligation to readjust interest rates any time soon. Federal Reserve held interest rates steady last week due to lack of inflationary pressures. The Fed's decision lifted U.S. Treasury yields to a one-week high.

### Outlook

- ▲ Gold is holding above four-month low, on US-China trade deal talks as president Trump warned to increase tariffs further. Gold is expected to find minor support near \$1270, however, a break below \$1,270 could take the precious metal towards \$1,260 & \$1,249. The immediate resistance level is seen around \$1297-1307.

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## Crude oil sinks on tariff threats by Trump

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- ▲ Brent oil prices are declining along with global equities as a US-China trade war seems to be escalating. US-China tariff may dampen oil demand outlook for remaining months of the year.
- ▲ Crude oil has corrected from the recent highs despite US sanctions on Iran oil imports.
- ▲ Iran sanction- India has requested the US if it would be flexible in allowing India to continue importing Iranian crude.
- ▲ Sanction waivers ended on May 1<sup>st</sup>, Indian foreign minister quoted that country was not in a position to immediately source enough crude oil from suppliers other than Iran
- ▲ China and Turkey are largely expected to continue purchasing Iranian crude oil despite US sanctions that have come in full force from May 2<sup>nd</sup>.
- ▲ Oil prices came under pressure last week after U.S. President Donald Trump openly pressured OPEC to meet the supply shortfall caused due to the tightening Iran sanctions.
- ▲ OPEC may discuss to increase production after supply shortfall 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.

### Outlook

- ▲ US Crude oil inventory pushed oil prices down from recent highs though Brent oil rallied last month after the US pushed to end sanction waivers granted to 8 oil consumers including India and China. Brent oil is holding below key psychological levels of \$70 per barrel; we see a further move towards 68.90 and \$67.48 per barrel in the near term if oil supply continues to increase.

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## Sell off into equities pushing rupee lower, some support due to falling crude oil prices

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- ▲ Tariff war between US-China is a key reason behind equity sell-off across the globe
- ▲ Easing crude oil prices and FIIs inflow is supporting the rupee in the short term while selling off into equities may limit gains.
- ▲ US Crude oil inventory pushed oil prices down from recent highs though Brent oil rallied last month after the US pushed to end sanction waivers granted to 8 oil consumers including India and China.
- ▲ FII and DII Data
- ▲ Foreign Funds (FII's) sold shares worth Rs.400.68 crores, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs. 57.07 crore on 3 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. US-China tariff war is pushing global equities lower and emerging market currencies will be affected negatively. 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.

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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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