Gold eyes FOMC meeting minutes
OPEC disagreements have increased volatility in oil prices

GOLD EYES FOMC MEETING MINUTES

- Gold august future contract prices fell back after registering a high of $1815.7 yesterday. Currently trading near $1804. However, the recent drop in US 10 year bond yield is likely to keep supported gold prices. The US 10 year bond yield is currently trading near 1.356 which is the lowest level since March 2021 and sharply lower from the recent high of 1.776 registered on March 30th.
- Streng in the US dollar index is likely to keep a cap on gold prices. The dollar index is trading near 92.53 ahead of the release of the minutes from the June 15-16 FOMC meeting. A hawkish tone from FOMC meeting minutes is likely to put pressure on gold prices. FOMC members at that meeting began discussions of QE tapering. Also, most FOMC members turned significantly more hawkish about rate hikes. Seven of the 18 FOMC members are now expecting at least one +25 bp rate hike in 2022, and 11 of the 18 members are expecting at least two rate hikes by the end of 2023.
- On the economic data front, the June US ISM services index fell by -3.9 points to 60.1, which was much weaker than expectations of a -0.5 point decline to 63.5. Eurozone businesses expanded activity at the fastest rate in 15 years in June. IHS Markit's final composite Purchasing Managers' Index (PMI), seen as a good gauge of economic health, jumped to 59.5 last month from May's 57.1, its highest level since June 2006.
- According to the CFTC Commitments of Traders report for the week ended June 29 net long for gold futures were slipped by 3988 contracts to 162226 for the week. Speculative long position increased by 1053 contracts, while shorts increased by 5041 contracts.

Outlook

- Gold prices are likely to find support near $1780-$1767 while it is likely to face stiff resistance near $1811-$1829

OPEC DISAGREEMENTS HAVE INCREASED VOLATILITY IN OIL PRICES

- WTI crude oil future contract is currently trading near $74.52 with moderate gains after a sharp decline yesterday from the multi-year high of $76.98. A failure to OPEC+ production agreement is likely to increase volatility in oil prices as uncertainty has increased multifold.

- The UAE has rejected OPEC+'s preliminary agreement. OPEC+ and its partners were able to agree to return 400,000 barrels a day to the market starting in August. But the UAE sought to also have its production baseline increased from 3.1 million barrels a day to 3.8 million barrels, and that was the sticking point with Saudi Arabia. The United Arab Emirates said it was not alone in seeking a higher baseline as others, including Azerbaijan, Kazakhstan, Kuwait and Nigeria, had requested and received new ones since the deal was first agreed last year.
- Goldman Sachs has indicated that failure of the discussions has clouded OPEC's production policy, although the bank reiterated its expectation that Brent would rise $80 per barrel early next year.
- Crude oil prices have continued support from a delay in Iran nuclear talks. Meanwhile, The United States and Europe warned Iran to stop nuclear "brinksmanship" and European powers expressed "grave concern" over Iran's latest moves to enrich uranium. The seventh round of talks with world diplomats over Iran's nuclear program has been delayed with no resumption date fixed.
- On the inventory front, EIA report showed that US crude oil inventories as of June 25 were -6.5% below the seasonal 5-year average, gasoline inventories were +0.4% above the 5-year average, and distillate inventories were -4.7% below the 5-year average.
- Meanwhile, US crude oil production in the week ended June 25 was unchanged at 11.1 million BPD and was down by -2.0 million BPD (-15.3%) from the Feb-2020 record-high of 13.1 million BPD.
- According to the CFTC Commitments of Traders report for the week ended June 29 net long for crude oil futures fell -1 442 contracts to 522 490 for the week. Speculative long position decreased -5 113 contracts, while shorts slipped -1 442 contracts.
- Baker Hughes reported that active US oil rigs in the week ended July 2 rose by +4 rigs to a new 1-1/4 year high of 376 rigs.

Outlook

- WTI Crude oil prices are likely to trade firm while above the key support level of 20 days EMA at $72.94 and 50 days EMA of $69.91 meanwhile it likely to face resistance around $75.92 & $78.47

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