
Gold at one week high on fear of Intensifying Trade War

Crude range bound on the back of US-China trade talks and tension in Middle East

Indian rupee continues to remain under pressure as FII outflow continued

Copper production at Chile's Codelco dropped by 27% in first quarter of 2019

China's steel exports in April of 6.33mn t were unchanged against the previous month

GOLD AT ONE WEEK HIGH ON FEAR OF INTENSIFYING TRADE WAR, GLOBAL SELL OFF INTO EQUITIES CONTINUE

- ▲ Gold prices were up on worries over U.S.-China trade dispute after US's comments on tariff. Trade war is expected to have a negative impact on global growth.
- ▲ SPDR Gold exchange-traded fund holdings saw a slight uptick on Tuesday however it still is at its lowest level since October 2018.
- ▲ India's gold jewelry demand expected to be 10 percent more during the annual Hindu and Jain holy festival of Akshaya Tritiyawhich spurs physical demand in India
- ▲ Geopolitical tensions increased after the US deployed fighter ships in the Middle East to control situation with Iran, gold prices found support and recovered from early losses on the back of developments on the Iran front.

Outlook

- ▲ Gold has bounced from its four-month low, on US-China trade talks as president Trump warned threatened to increase tariffs further, later situation was normalized as China announced 11th round of talks with the US on 9th and 10th May. Trade talk fear intensified yesterday when US officials confirmed to raise tariff by Friday. Gold may trade in range of \$1270-\$1297, on a break above \$1297; counter may push towards its resistance of \$1307-\$1322. 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.

CRUDE RANGE BOUND ON THE BACK OF US-CHINA TRADE TALKS AND TENSION IN MIDDLE EAST

- ▲ American Petroleum Institute (API) reported U.S. crude supplies to have increased by 2.8 million barrels for the week ended May 3. Gasoline and Distillate supply stocks dropped by 2.8 million barrels and 834,000 barrels respectively.
- ▲ Crude prices fell on the back of US China trade tension along with rising crude oil inventories however increasing tensions between the U.S. and Iran are extending support.
- ▲ Military deployment- US has deployed a carrier strike group and a bomber task force to send a clear message to Iran that any attack on U.S. will be met with "unrelenting force,"
- ▲ Saudi Arabia is not in a mood to boost oil supply ahead of next month's OPEC meeting.
- ▲ Trade talks - Trump early on Monday appeared to defend his Sunday's statement, citing trade deficit between the United States and China. China's Foreign Ministry spokesman Geng Shuang quoted saying that Chinese delegation was still preparing to proceed to the United States for trade talks.

Outlook

- ▲ Brent oil rebounds on the news of US military deployment in the Middle East. Escalating tensions between the US, Iran, and Venezuela may push oil prices higher. Saudi has already signaled that it would not be increasing production; we can expect a further rise in the coming months. Although US Crude oil inventory pushed oil prices down from recent highs. Brent oil has rebounded above the psychological level of \$70 ; we see a further move towards 72.40 and \$73.20 per barrel in the near term if oil supply remains intact.

INDIAN RUPEE CONTINUES TO REMAIN UNDER PRESSURE AS FIIS OUTFLOW CONTINUED ON THIRD CONSECUTIVE DAY

- ▲ Tariff war between US-China is a key reason behind equity sell-off across the globe.
- ▲ Strength in Crude oil has dampened sentiments and it is likely to push rupee lower from current levels
- ▲ According to monthly report by government, India's economy slowed down in the financial year 2018-19 due to declining growth of private consumption, tepid increase in fixed investment, and muted exports.
- ▲ FII and DII Data
- ▲ Foreign Funds (FII's) sold shares worth Rs.645.08 crores, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs. 818.84 crore on 7th May 2019.
- ▲ In May 2019, FII's net sold shares worth Rs. 1397.20 crores, while DII's were net buyers to the tune of Rs. 174.11 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 as crude oil prices are trading higher. USD-INR could find support near 68.80-68.40 levels, while important resistance is seen around 70.23 levels.

COPPER PRODUCTION AT CHILE'S CODELCO DROPPED BY 27% IN FIRST QUARTER OF 2019

- ▲ Codelco's copper production was at 370,900 tons in the first quarter of 2019, down 27 percent from the previous quarter. Production is lowest since the second quarter of 2008. (Monthly report from Agency Cochilco). Although March monthly production recovered after it fell to the lowest in more than three years in February 2019.
- ▲ Copper trading range bound as trade tensions mounted between US and China.
- ▲ US official have confirmed to hike tariffs on Chinese goods from Friday morning. Prior to this US President Trump said that tariffs which are currently at 10% on certain Chinese goods would be increased to 25% on Friday and \$325 billion of untaxed goods could face 25% duties "shortly"
- ▲ 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.

Outlook

- ▲ LME 3M Copper could remain in range above critical support level of 6150 and below stiff resistance around 6466. Any positive outcome of the 11th round of trade talks between the US and China may provide fresh breakout above 6466 towards 6556-6606 in the near term. The supply situation in Chile and Peru may keep copper supported at lower levels. LME and SHFE warehouse stocks and China's economic conditions are expected to give market further direction.

CHINA'S STEEL EXPORTS IN APRIL OF 6.33MN T WERE UNCHANGED AGAINST THE PREVIOUS MONTH

- ▲ China Steel Export - China's steel exports in April of 6.33mn tons were unchanged against the previous month but fell by 2.3% from the previous year. January-April steel exports were higher by 8.3% from the previous year at 23.35mn t. China's domestic steel prices and profit margins fell sharply in November, starting a gradual recovery only in March that prompted steel mills to offer more supplies into overseas markets.
- ▲ Tangshan Environmental measures- Tight environmental measures in Tangshan are expected to 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 during the second quarter.
- ▲ Iron ore - Iron ore prices rallied due to concerns over supply disruptions from Brazil flared again.

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