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US-China tariff war push copper prices down to three month low

Gold remains near week high on fear of Intensifying Trade War

Oil prices down despite a drop in US inventory

Indian rupee continues to remain under pressure as FII outflow continued on fourth consecutive day.

Trade tension pushed steel and Iron prices down

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## US-CHINA TARIFF WAR PUSH COPPER PRICES DOWN TO THREE MONTH LOW

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- ▲ Copper at three-month low on concerns over a potential tariff war between US and China.
- ▲ U.S. President Donald Trump's threat to increase tariffs on \$200 billion worth of Chinese goods on Friday has raised the risk of an escalation in the spat between Washington and Beijing.
- ▲ The two sides will hold last-ditch talks in Washington on Thursday and Friday.
- ▲ China's unwrought copper imports rose 3.6 percent in April from the previous month. Import increases as demand gathered momentum at the start of the peak-consumption second quarter.
- ▲ Codelco's copper production was at 370,900 tons in the first quarter of 2019, down 27 percent from the previous quarter.

### 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 11<sup>th</sup> 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.

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## GOLD REMAINS NEAR WEEK HIGH ON FEAR OF INTENSIFYING TRADE WAR

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- ▲ 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.
- ▲ 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 11<sup>th</sup> round of talks with the US on 9<sup>th</sup> and 10<sup>th</sup> 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.

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## OIL PRICES DOWN DESPITE A DROP IN US INVENTORY

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- ▲ U.S. crude inventories fell by 4 million barrels in the week to May 3, the Energy Information Administration said on Wednesday.
- ▲ China's crude imports in April hit a record for the month, at 10.6 million barrels per day (bpd), customs data showed on Wednesday.
- ▲ 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.

## 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.

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

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- ▲ 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.701.07 crores, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs. 232.95 crore on 8th May 2019.
- ▲ In May 2019, FII's net sold shares worth Rs. 2098.27 crores, while DII's were net buyers to the tune of Rs. 407.06 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.

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## TRADE TENSION PUSHED STEEL AND IRON PRICES DOWN

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- ▲ China's steel and iron ore futures dipped from multi weeks high as market remained cautious about renewed U.S.-China trade tension.
- ▲ 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 tons. 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 reduce the production activity to half of current.
- ▲ China Social Rebar inventories are continuously declining since second week of March'19

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