MONTHLY BULLETIN (RESEARCH) Date 8th July 2021

GOLD

Market Outlook and Fundamental Analysis:

Bullion register worst month in more than 4-years in June as wary ahead of the upcoming U.S. jobs data that could intensify fears over the U.S. Federal Reserve easing its asset purchases added by strong dollar and continue to set daily new record high by equity market set for sharp profit booking and sell off in precious metals. For the month gold down 7.6% against gain of 3.2% for Q2-2021. In mid of the month, Gold prices register their worst week since March 2020 after the U.S. Federal Reserve's hawkish message on monetary policy bolstered the dollar and bond yields, while denting bullion's appeal as an inflation hedge. At same time the dollar index hit a 2-month high and was at its best week in nearly 9-months, making gold more expensive for holders of other currencies.

The U.S. dollar was seen heading for its biggest monthly rise since March supported by traders' trepidation ahead of unpredictable U.S. labour data and concern over the spread of the Delta coronavirus variant. The Indian rupee posted its biggest monthly drop since the onset of the pandemic in the country in March last year, drop of 2.4% in June its worst of last 15-months, pressured by high global crude oil prices and concerns over the U.S. Federal Reserve hinting at unwinding its massive stimulus.

In its latest meet during mid June, The Federal Reserve kept interest rates and monthly bond buying steady, though signaled that it could hike rates sooner than previously expected. The Federal Open Market Committee left its benchmark rate unchanged in the range of 0% to 0.25% and said it would continue its $120 billion monthly bond purchases. The Fed hiked its interest-rate outlook in 2023 to 0.6% from previous projections of 0.1% in March, signalling to 0.25% rate hikes in 2023, the Fed's Summary of Economic Projections showed.

China's net gold imports via Hong Kong more than halved in May from the prior month, when they touched the highest level in nearly three years, as demand faltered amid fresh coronavirus-led restrictions.

US Nonfarm payrolls, a gauge for economy & interest rates, U.S. job growth accelerated in June, offering tentative signs that a worker shortage could be starting to ease as companies raise wages and offer incentives to entice millions of unemployed Americans sitting at home. Nonfarm payrolls increased by 850,000 jobs last month after rising 583,000 in May. That left employment 6.8 million jobs below its peak in February 2020. Economists polled by Reuters had forecast payrolls advancing by 700,000 jobs. There are a record 9.3 million job openings.

On data side, U.S. services industry activity grew at a moderate pace in June, likely restrained by labor and raw material shortages, resulting in unfinished work continuing to pile up. U.S. manufacturing activity grew at a moderate pace in June, but employment contracted for the first time in seven months, likely because of rampant shortages of raw materials and labor.

During 3rd week of the month, the Indian rupee saw its biggest single-day fall in more than two months while bond yields rose as the U.S. Federal Reserve stunned investors by signalling it might raise interest rates as early as 2023, faster than assumed. Euro zone businesses expanded activity at the fastest rate in 15 years in June as the easing of more coronavirus restrictions brought life back to the bloc's dominant service industry, a survey showed.

On domestic Data update, Activity in India's dominant services sector contracted sharply in June as tighter restrictions to contain a resurgence of coronavirus cases hammered demand and forced firms to shed jobs at a rapid clip, a private survey showed. India's factory activity contracted for the first time in almost a year in June as restrictions to contain the deadly second wave of the coronavirus triggered declines in demand and output that pushed firms to cut more jobs, a private survey showed. India's current account deficit widened in the January-March quarter on the back of a higher trade deficit and lower net invisible receipts, the Reserve Bank of India said in a release.

Going ahead, Rollouts of vaccines to combat the virus and trillions of dollars' in fiscal support are expected to boost investment and spending in 2021, spurring demand for raw materials from oil to copper. Also, If U.S. growth slows down next year, as expected, gold would benefit from higher demand for defensive assets. In nutshell, Performance of financial markets, monetary policy in key economies including here, and the dollar movement will determine gold performance in 2021. Gold could move higher with risk assets next year as long as monetary and fiscal conditions remain accommodative, while lower yields will encourage investors to hedge riskier assets with gold. Given the rising inflation expectations, weakening dollar and lofty valuations in some risky assets, demand for safe-haven inflation hedges should remain supported this year, and we can expect gold to test its all time high above $2,100/toz in this year. Gold is often used by investors as a hedge against political and financial uncertainty.

Technical Outlook:

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On the Daily Chart:

In COMEX GOLD is trading at $1802

Expected support and Resistance level for the month

Gold	S1	S2	R1	R2
COMEX/DG CX ($)	1780	1750	1855	1905
MCX (Rs.)	47100	46300	48300	48900

RECOMMENDATION:

MCX Gold Dec: Buy above 48300 Stop Loss 47700 Targets 48900-49300.
Sell Only below 47100 Stop Loss 47500 Target 46300-46000.

SILVER

Technical Outlook:

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On the Daily Chart:

Expected support and Resistance level for the month

Silver	S1	S2	R1	R2
COMEX/DG CX ($)	25.5	24.60	27.20	28.80
MCX (Rs.)	67600	66000	71000	72500

RECOMMENDATION:

MCX Silver Dec: Buy Only above 71000 Stop Loss below 70000 Targets 72500-72900
Sell below 68600 S/L above 69500 Target 67600-67000.

CRUDE OIL

Market Outlook and Fundamental Analysis

Energy complex continue its upward journey in third consecutive monthly gain with benchmark Brent & WTI both gain almost 10% in a month with Q2-2021 gain of almost 18 & 25% on optimism about fuel demand even as producers planned output hikes and new coronavirus outbreaks were reported from a variant of the virus. Oil prices have climbed about 50% this year as key economies such as the U.S., U.K. and China have reopened, buoyed by mass vaccination campaigns. But the recent spread of the delta variant threatens to slow an ongoing global demand recovery. The resurgence may even lead to export-focused refiners in Asia trimming processing rates.

The rise in prices has prompted some U.S. producers to increase drilling activity, with total rig counts rising for an 11th consecutive month in June. However, that was the smallest monthly increase since September 2020. U.S. shale producers have declined to add extra drilling rigs or boost output significantly despite the rise in prices. The number of rigs drilling for oil is less than half that when prices were last at this level in 2018. With U.S. shale producers staying on the sidelines, OPEC+ has more scope to draw down global inventories and push prices higher without worrying about the loss of market share.

In the coming months, global oil production, largely from OPEC+ members, is expected to increase by more than global oil consumption, the EIA said. In 2022, EIA said it expects growth in production from OPEC+ and U.S. tight oil production, along with other supply additions, will outpace growth in global oil consumption and contribute to declining oil prices. U.S. output is expected to average 11.85 million bpd, up from a forecast average of 11.10 million bpd in 2021.

U.S. world largest crude oil consumer & producer, its crude oil production is expected to fall by 210,000 barrels per day (bpd) in 2021 to 11.10 million bpd, the U.S. Energy Information Administration (EIA) said on Wednesday, a smaller decline than its previous forecast for a drop of 230,000 bpd.

OPEC oil output has risen in June as the group further eased supply curbs under a pact with its allies and as Iran's exports climbed amid ongoing talks on reviving its nuclear deal with world powers, a Reuters survey showed. The 13-member OPEC has pumped 26.24 million barrels per day (bpd) in June, the survey found, up 740,000 bpd from May. Output has risen every month since June 2020 apart from in February.

Data on last week of the month from the U.S. Energy Information Administration again showed a huge crude drawdown for last week, with stockpiles falling as much as 6.7 million barrels versus forecasts for a 4.7 million-barrel drop. The big crude draw came as U.S. refiners operated last week at 92.9 percent of capacity, a level last seen in the summer of 2019, well before the onset of the pandemic last year. U.S. commercial crude inventories fell below the pre-epidemic five-year average for 2015-2019 for the first time in the first week of June, in a signal the market is tightening rapidly.

Going ahead, Oil prices are unlikely to mount much of a recovery in 2021 as a new coronavirus variant and related travel restrictions threaten already weakened fuel demand. A new variant of the coronavirus detected in Britain raises the risk of renewed restrictions and stay-at-home orders, which along with a phased rollout of vaccines might restrict further price gains. Additional lockdown measures and the careful OPEC+ dance of raising output will be the focal point for the first half of the year.

Technical Outlook:-

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<u>On the Daily Chart:</u>

Expected Support and Resistance level for the month

Crude	S1	S2	R1	R2
NYMEX/DG CX ($)	69.60	66.6	75	77
MCX (Rs.)	5290	5190	5600	5740

RECOMMENDATION:

MCX Crude: Sell below 5190 Stop Loss above 5300 Target 5050-5000.
Buy above 5600 Stop Loss below 5480 Target 5740-5800

<u>Natural Gas</u>

<u>Technical Outlook:</u>

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RECOMMENDATION:

MCX NG : Buy above 279 Stop Loss below 265 for Targets of 290-297.
Sell below 264 S/L above 275 Target 252-245 Range

Base Metals

Market Outlook and Fundamental Analysis

COPPER:

Base metals register its biggest monthly fall since March 2020 as a stronger dollar, the threat of tighter U.S. monetary policy and moves by China to keep a lid on prices pulled the metal from record highs and increasing stocks at LME register warehouses. Benchmark copper on the LME down more than 8% in June, first monthly fall in three, down about 13% from its all time peak in month May, but still up around 7% for the April-June quarter, the 5th consecutive quarter of rising prices - after reaching an all-time peak of $10,747.50 on May 10. However, it is to be expected that prices would be likely to rise again when the summer, traditionally a period of slow demand from industry ends. Rising demand for copper in infrastructure and electrification will cause shortages and higher prices in the coming years. China is selling from state reserves of copper, aluminium and zinc as part of its pledge to control a surge in commodities prices.

During 3rd week of the month, China announced plans to release industrial metals from its national reserves to curb commodity prices in what some analysts said could be the first such move in a decade by the world's top consumer of metals. The notice came as Beijing struggles to cool a surge in metal prices this year fuelled by a post-pandemic economic recovery, ample global liquidity and speculative buying that has dented manufacturers' margins.

Strength in the dollar on expectations of sooner-than-anticipated policy tightening in the United States has also made greenback-priced metals more expensive and less appealing to holders of other currencies. The dollar was on track for its biggest monthly rise since November 2016 after a hawkish shift in the U.S. Federal Reserve's rates outlook. This hurt metals by making them more expensive for buyers with other currencies.

Copper hit its all time high in May on the back of a global economic recovery, rising investments into renewable energy and electric vehicles, as well as a tight supply outlook.

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China's industrial output grew 8.8% in May from the same period a year ago, slower than the 9.8% rise seen in April which missed expectations for a 9.0% year-on-year increase in a Reuters poll of analysts. Retail sales rose 12.4% from a year earlier. Analysts in the poll had expected them to grow 13.6% last month after surging 17.7% in April. Fixed asset investment increased 15.4% in the first five months from the same period a year earlier, missing expectations for a 16.9% rise and slowing from a 19.9% jump in January-April.

Meanwhile, aluminium prices were boosted by supply concerns in Russia and declining stocks, while lead hit its highest since July 2018. Russia is preparing new export taxes for steel products, nickel, aluminium and copper.

At end of the month, On-warrant copper stocks in LME-registered warehouses dipped 1,350 tonnes to 197,025 tonnes but are still nearly 160% higher this year. At 197,025 tonnes are up nearly 90% since May 12 and at their highest since July last year. Most of that copper - 203,875 tonnes - is on warrant meaning it is available to the market. LME nickel inventories are at their lowest since March 2020 while those monitored by the Shanghai Futures Exchange NI-STX-SGH are at record lows.

Latest numbers from top metal consumer China shows, Growth in China's factory activity dipped to a 4-month low in June. Other data showed that in May, Japan's industrial output fell by the most in a year and South Korea's dipped from April.

Chile's manufacturing output rose 8.9% year-on-year in May and its copper output dipped 0.4%, to 493,420 tonnes.

Global demand of nickel used in batteries is expected to rise 18% this year from 2020, backed by strong sales of electric-vehicles in China.

Meanwhile, Global primary aluminium output rose to 5.744 million tonnes in May, data from the International Aluminium Institute (IAI) showed.

Other side, the copper market was in deficit in March, while in April the nickel and zinc markets were in deficit and lead was oversupplied, study groups tracking supply and demand said.

Separately, Indonesia is considering a plan to restrict construction of smelters producing nickel pig iron or ferronickel to optimise use of its limited ore reserves for higher-value products, a senior mining ministry official said.

Going ahead, A year into the coronavirus pandemic, the focus has been on the vaccines vs variants battle crucial to restoring some normality to the world economy. As per latest numbers effect of Covid-19 will likely to be longer than expected and play a bigger role to decide fresh direction for global growth as well base metals Prices. However, stimulus offer by various countries including China, US, EU… may support base metals at lower level but all will depend on how long global shut down will remain & ultimate its effect on different countries economy & trade. Chinese authorities are expected to roll out more supportive measures on top of a range of policy initiatives this year. Such measures - mostly medium to long-term policies - are likely to put a floor under the slowing economy in the second half of the year at the earliest.

Base Metals

TECHNICAL OUTLOOK:

COPPER:

Expected Support & Resistance level for the month

Copper	S1	S2	R1	R2
MCX	714	690	742	762

RECOMMENDATION:

COPPER MCX:- Sell Only below 714 Stop Loss above 735 Target 700-690 Range.
Buy above 742 Stop loss below 732 Target 760-765.

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LEAD:

Technical Outlook:

Expected support and Resistance level for the month

Lead	S1	S2	R1	R2
MCX	177	169	182	190

RECOMMENDATION:

LEAD M MCX: - Sell below 177 Stop Loss above 182 Target 170-168.
Buy Only above 182 Stop Loss below 177 Target 188-192

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ZINC

TECHNICAL OUTLOOK:

Expected Support & Resistance level

Zinc	S1	S1	R1	R2
MCX	236	231	243	250

RECOMMENDATION:

ZINC MCX :- Sell Only below 236 Stop Loss above 240 Target 231-228 Range
Buy above 242 Stop Loss below 236 Target 248-252

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NICKEL

TECHNICAL OUTLOOK:

Expected Support & Resistance level

Nickel	S1	S1	R1	R2
MCX	1345	1310	1390	1420

RECOMMENDATION:

Nickel MCX :- Sell below 1345 Stop Loss above 1365 Targets 1320-1300
Buy Only above 1390 Stop Loss below 1360 Targets 1420-1440

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DATE- July 8th, 2021

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