MONTHLY BULLETIN (RESEARCH) Date 5th July 2022

GOLD

Market Outlook and Fundamental Analysis:

Bullion seen a 3rd consecutive monthly decline as Gold fall 1.5% & silver 6%, with this gold down almost 6% in Q2-2022 and silver down 18% due to sharp rise in interest rates by most central banks, especially US FED which rally US Dollar as well treasury yield and makes Gold unattractive as non yield assets. The dollar index hovered near its recent 2-decade peak and register a 6% rise in Q2-2022, making gold more expensive for overseas buyers. Gold usually benefits from high inflation and geopolitical tension, but rising rates translate into higher opportunity cost of holding the non-interest bearing asset. So overall, we can say that Gold prices seen see-sawed, caught between headwinds from aggressive interest rate hikes and support from safe-haven bids spurred by growing recession risks.[1]

More G10 central banks raised interest rates in June than in any month for at least two decades, Reuters calculations showed, and with inflation at multi-decade highs, the pace of policy-tightening is unlikely to let up in the second half of 2022. While the U.S. Federal Reserve lifted rates 75 bps to a range of 1.5%-1.75%, its biggest single move since 1994, Switzerland stunned markets with a 50 bps hike in borrowing costs, matching moves by Australia, Sweden, Norway and Canada. The Fed is widely expected to go with another 75 bps at its July 26-27 meeting. Other side, in total, emerging market central banks has raised interest rates by 4,415 bps year-to-date, compared to 2,745 bps for the whole of 2021, calculations show.

During latest meet, The Federal Reserve approved its largest interest rate increase in more than a quarter of a century to stem a surge in inflation as FED raised the target federal funds rate by three-quarters of a percentage point to a range of between 1.5% and 1.75%, still comparatively low by historic standards. Officials also envision steady rate increases through the rest of this year, perhaps including additional 75-basis-point hikes, with a federal funds rate at 3.4% at year's end. Also, Fed projections showed that economic growth slowing to a below-trend rate of 1.7%, and policymakers expecting to cut interest rates in 2024.

India, the world's second biggest bullion consumer, has raised its basic import duty on gold to 12.5% from 7.5%, as the world's second biggest consumer of the precious metal tries to dampen demand and bring down the trade deficit. The duty hike should lift prices and moderate demand in India, which could weigh on global prices. But it could stoke under-the-counter buying and drive-up precious metal smuggling into the country, according to industry experts. Overall taxes on gold now rise sharply from 14% to around 18.45%.

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On data side, U.S. manufacturing activity slowed more than expected in June, with a measure of new orders contracting for the first time in two years, shows more evidence that the economy was cooling amid aggressive monetary policy tightening by the Federal Reserve. U.S. business activity slowed considerably in June and the University of Michigan's survey showed U.S. consumer sentiment hit a record low in June. U.S. retail sales unexpectedly fell in May, the first drop in sales in five months also suggested that high inflation was starting to hurt demand. Confidence among U.S. single-family homebuilders dropped to a two-year low in June, as index fell two points to 67 this month, the lowest reading since June 2020. U.S. producer prices increased solidly in May as the cost of gasoline surged, the producer price index for final demand rose 0.8% last month after advancing 0.4% in April. A 1.4% jump in the prices of goods accounted for nearly two-thirds of the rise in the PPI. Euro zone inflation hit another record high in June, firming the case for rapid ECB rate hikes starting this month.

On domestic Data update, India's dominant services industry expanded at the fastest pace in over eleven years in June amid strong demand. India's factory output expanded at its slowest pace in nine months in June as elevated price pressures continued to dampen demand and output, according to a private survey, which also showed business confidence was at its lowest in over two years. India's May trade deficit widened to $24.29 billion from $6.53 billion a year ago as gold imports in the month surged to $6 billion from $678 million a year ago.

The Reserve Bank of India's key interest rate was raised by 50 basis points on 1st week of the month as widely expected, the second hike in as many months, in a bid to cool persistently high inflation in Asia's third-largest economy. The monetary policy committee (MPC) raised the key lending rate or the repo rate by 50 basis points (bps) to 4.90%. The Standing Deposit Facility rate and the Marginal Standing Facility Rate were adjusted higher by the same quantum to 4.65% and 5.15%, respectively.

The Indian rupee hit a record low against the U.S. dollar on 5th July as concerns of a wider current account deficit came to the forefront after the country's trade deficit hit an all-time high in June. Data late on Monday showed India's June trade deficit widened to a record high of $25.63 billion, following a rise in crude oil and coal imports, from $9.61 billion a year earlier.

Going ahead, there is lots of uncertainty in global market start from geopolitical tension between western countries & Russia, US FED tapering and interest rates seen increasing, higher inflation worldwide and currency movement. All this resulted in volatile bullion prices and unless there is clarity on above major issue, bullion likely to get support at every dip. In nutshell, Gold, however, is being supported by the Ukraine uncertainty, rapid inflation, and the still persistent COVID-19 pandemic but the Fed’s aggressive stance to combat inflation, recovering bond yields, stronger dollar and easing of pandemic restrictions on higher vaccination rates will put a lid on gold prices.

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<u>Technical Outlook</u>:

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

In COMEX GOLD is trading at $1767

Expected support and Resistance level for the month

Gold	S1	S2	R1	R2
COMEX/DG CX ($)	1750	1720	1815	1880
MCX (Rs.)	50700	50100	52300	53000

Mcx Trend seen bearish as long 52300 hold Resistance, While Sustain Close below 52300 seen Sharp Uprally.

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SILVER

Technical Outlook:

On the Daily Chart MCX:

Expected support and Resistance level for the month

Silver	S1	S2	R1	R2
COMEX/DG CX ($)	18.90	16.90	20.80	22.50
MCX (Rs.)	56000	54800	60000	61400

MCX trend seen bearish as long hold R1, While Sustain above 60000 seen to test R2 in days to come.

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CRUDE OIL

Market Outlook and Fundamental Analysis

Energy complex register first monthly drop after consecutive 6-months gain as benchmark Brent down almost 4% & WTI almost 9% in June and wipe out all gains during first half of the month when price rally towards 3-months high but since then it continue its southward journey due to recession fear which could hamper demand added by Covid lockdwn at second biggest consumer China and strong dollar index which force prices to correct at higher level and offsetting lower supply crunch. Other side, oil prices fell alongside Wall Street as the S&P 500 was set up for its worst first six months since 1970, on concerns that central banks determined to tame inflation will hamper global economic growth.

In its latest meet on month end, The OPEC+ group of producers, including Russia, on Thursday agreed to stick to its output strategy after two days of meetings. The producer club avoided discussing policy from September onwards. Previously, OPEC+ decided to increase output each month by 648,000 barrels per day (bpd) in July and August.

The Organization of the Petroleum Exporting Countries (OPEC) pumped 28.52 million barrels per day (bpd) in June, the survey found, down 100,000 bpd from May's revised total. OPEC had planned to boost June output by about 275,000 bpd.

OPEC's oil revenue surged in 2021 as prices and demand recovered from the worst of the COVID pandemic, while the number of its members' active rigs posted a modest rebound and new completed wells declined, data from the group showed. The value of petroleum exports by the 13-member OPEC reached $561 billion in 2021, up 77% from 2020, OPEC's Annual Statistical Bulletin showed.

In its latest meet, G7 leaders have agreed to explore imposing a ban on transporting Russian oil that has been sold above a certain price, aiming to deplete Moscow's war chest. Russian oil export revenue climbed in May even as volumes fell, the International Energy Agency said in its June report.

India. world's third biggest oil importer and consumer, has imposed windfall tax on oil producers and refiners who have boosted product exports to gain from higher overseas margins as the government seeks to increase local supply of fuels to meet rising demand and increase federal revenues. India levies windfall tax of 23,250 rupees/T on oil producers, Imposes export tax of 6 rupees/litre on gasoline and jet fuel and Imposes 13 rupees/litre exports tax on gasoil. New restrictions require oil companies exporting gasoline to sell to the domestic market the equivalent of 50% of the amount sold overseas for the fiscal year ending on March 31, 2023. For diesel, they are required to sell domestic buyers the equivalent of at least 30% of the amount that they export.

In a monthly report, OPEC has stuck with its forecast that world oil demand will exceed pre-pandemic levels in 2022, although the producer group said Russia's invasion of Ukraine and developments around the coronavirus pandemic pose a considerable risk. The report expects world consumption to surpass the 100 million bpd mark in the third quarter, in line with earlier projections, and for the 2022 average to reach 100.29 million bpd, just above the pre-pandemic rate in 2019. OPEC kept this year's global economic growth forecast at 3.5%, adding the downside "remains significant" and the upside potential "quite limited".

In its latest weekly inventory update, the EIA said U.S. crude inventories fell last week even as production hit its highest level since April 2020 during the first wave of the coronavirus pandemic. Fuel stocks rose as refiners ramped up activity, operating at 95% of capacity, the highest for this time of year in four years.

Global surplus crude production capacity in May 2022 was less than half its 2021 average, the U.S. EIA said earlier, as Western sanctions on Russia over its invasion of Ukraine took hold. Russian exports make up about 7% of global supply.

Separately, China's crude oil imports from Russia soared 55% from a year earlier to a record level in May, displacing Saudi Arabia as the top supplier, as refiners cashed in on discounted supplies amid sanctions on Moscow over its invasion of Ukraine. Separately, data also showed China's imports of Russian liquefied natural gas (LNG) amounted to nearly 400,000 tonnes last month, 56% more than May of 2021. Russia rose to become India's second biggest supplier of oil in May, pushing Saudi Arabia into third place but still behind Iraq which remains No. 1, data from trade sources showed.

Going ahead, Uncertainty in global oil and gas markets could stay for some time to come as spare capacity is very low while demand is still recovering With Russia's invasion of Ukraine entering a second month, global supply shortages approached 5 million to 6 million barrels per day (bpd) while demand has risen to record highs. Geopolitical tension between western countries & Russia resulted in higher volatility as well prices and if this issue not sorted out within short period then in long run this will definitely resulted in oil shocks with prices to scale all time high.

Technical Outlook:-

On the Daily Chart MCX:

Expected Support and Resistance level for the month

Crude	S1	S2	R1	R2
NYMEX/DG CX ($)	93	85	109	115
MCX (Rs.)	7700	7000	8650	9050

MCX trend seen Bearish as long hold 8750, While Sustain Close above 9050 seen towards 9450-9700 Range.

Natural Gas

Technical Outlook:

Natural Gas	S1	S2	R1	R2
MCX (Rs.)	425	400	475	540

MCX trend seen Bearish as long hold R1, While Sustain Close above 540 seen towards 630-650 belt again.

Base Metals

Market Outlook and Fundamental Analysis

COPPER:

Base metal complex across the board seen southward journey in June month due to more than one reason to begin with recession fear after rapid interest rates increase by central banks & especially US FED which might resulted in recession added by China latest covid lockdown slows growth as well demand for industrial metals and finally strong dollar index which pressure prices of base metals at every Rally. Copper marked their biggest quarterly slump since 2011 in Q2-2022 and other metals also register their worst quarter in several years which down between 20-40%. Copper fell 19.8% in the first quarter of 2020, when COVID-19 spread worldwide. There has been no other quarterly plunge on that scale since 2011. Aluminum down 30% in Q2-2022, largest since financial crisis 2008. Zinc fall 24%, Lead down 21%, the largest quarterly losses since 2010 and 2011 respectively. Tin and nickel crashed 38% and 29% respectively in the second quarter, the most on record. At end of the 3rd week of the month, copper seen their biggest weekly fall in a year, down around 6.5% followed by other industrial metals also, as nickel shedding around 13% and tin sliding 22%, its biggest weekly slump since at least 2005.

Trend seen reveres sharply with the exception of lead, all the other five metals hit record highs in March as markets priced in expectations of deficits due to robust demand and transport bottlenecks in producing regions and when Russia invasion on Ukrain.

Also to be noted that, the dollar is set for its biggest quarterly gain since 2016, making metals priced in the currency costlier for non-U.S. buyers and global stock markets have suffered the worst first half of the year on record.

On demand side, COVID lockdowns in top consumer China have hit manufacturing and demand for metals, while soaring inflation, interest rate rises and the possibility of recession have undermined industrial activity around the world. Global copper demand is estimated to grow around 2%-3% this year to around 26 million tonnes after 4%-5% growth in 2021 and aluminium demand is expected to grow little more than 2% to around 71 million from 8% growth last year. Zinc consumption is forecast to rise at a sedate 1%-2% this year from 6%-7% in 2021 and nickel demand is seen expanding around 5% this year from around 15% last year.

On Supply side, Copper supplies are seen climbing 3%-5% on production ramp ups at mines in Latin America, Africa and elsewhere, while aluminium supplies are forecast to rise 3.5% with much of that rise in China. Rising nickel output in major producer Indonesia is likely to boost global supplies by 14%-18% to more than 3.1 million tonnes this year. Zinc supplies are expected to stagnate, partly because of production cuts in Europe due to record high power prices.

During last week of the month, Concerns over low zinc stocks in LME-registered warehouses have eased. This can be seen in the narrowing premium for cash metal over the three-month zinc contract , last at $66 a tonne compared with more than $200 week ago. But zinc availability on the LME remains a problem as cancelled warrants — material earmarked for delivery — at 77% of the total indicate that more metal is due to leave LME warehouses over coming weeks.

Latest numbers from top metal consumer China shows, factory and service sectors snapped three months of activity decline in June, business surveys showed on Thursday, as authorities lifted a strict COVID lockdown in Shanghai, reviving output and consumer spending. The official manufacturing PMI rose to 50.2 in June from 49.6 in May.

Going ahead, geopolitical tension between western/European countries and Russia resulted in supply disturbance and force prices towards multiyear to all time high earlier. Metals prices are likely to rise further as inflation pushes investors towards commodities while tight supply of industrial metals and the risk of further sanctions constraining Russian supply also boosting prices.

Base Metals

TECHNICAL OUTLOOK:

COPPER:

Expected Support & Resistance level for the month

Copper	S1	S2	R1	R2
MCX	650	630	680	715

MCX trend seen bearish as long hold R1, While Sustain above 715 seen Upside again towards 740-760.

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LEAD:

Technical Outlook:

Expected support and Resistance level for the month

Lead	S1	S2	R1	R2
MCX	172	167	179	186

MCX trend seen Bearish as long hold R1

ZINC

TECHNICAL OUTLOOK:

Expected Support & Resistance level

Zinc	S1	S1	R1	R2
MCX	267	255	285	305

MCX trend seen Bearish as long hold R1, While Sharp Uprally expected only Sustain above 305

NICKEL

TECHNICAL OUTLOOK:

No View due to Low Volumes

Expected Support & Resistance level

Nickel	S1	S1	R1	R2
MCX				

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