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MONTHLY BULLETIN (RESEARCH) Date 8th Aug 2018

GOLD

CMP Rs. 29600 /10Gms MCX Oct 2018

Market Outlook and Fundamental Analysis:

Continue its southward journey, precious metals pack all fall in July with spot gold down more than 2% with almost 3% fall in domestic market MCX and lost almost 10% since mid April while Silver, platinum, palladium also down for month Due to rising US Interest rates, strong dollar, higher US Gsec yield added by subdued demand from top consumer India & china after trade war situation all resulted in sharp fall in prices. The dollar index following a three-month streak of gains, with the U.S. Federal Reserve set to reaffirm the outlook for further gradual rate rises in latest meet added by import duty restrictions help to strength dollar against major currency. Silver poised to end the month down more than 3% while Platinum headed for a monthly decline of less than 1% and Palladium set to end July down about 2%. Resulted in gold 4th & silver 7th consecutive weekly fall in prices. In last week of July Spot Silver was drop to its lowest since July last year.

Gold prices, which usually gain in times of political and financial instability, have failed to do so. With investors' reaction to the dispute between the United States and Iran staying muted. Gold has also failed to capitalise on its role as a hedge against inflation. U.S inflation is at its highest in seven years, and together with unemployment being at its lowest in two decades, the course is set for two more interest rate hikes this year and three in 2019.

In a closely watched two-day congressional testimony, Federal Reserve Chairman Jerome Powell said he believed the United States was on course for years more of steady growth, and carefully played down the risks to the U.S. economy of an escalating trade conflict. Manufacturers in every one of the Federal Reserve's 12 districts worried about the impact of tariffs, a Federal Reserve report said, even as the U.S. economy continued to expand at a moderate to modest pace. But the narrowing gap between yields on long-term and short-term Treasury bonds to little more than the equivalent of one rate hike from the Fed has helped sour at least one U.S. central banker on any further interest rates increases. The minutes of June 12-13 FED meet, described a meeting in which the Fed raised interest rates for the second time this year, also suggested policymakers might soon signal the central bank's rate-hiking cycle was advanced enough that policy was no longer boosting or constraining the economy.

On data side, U.S. consumer spending increased solidly in June as households spent more at restaurants and on accommodation, building a strong base for the economy heading into the third quarter, while inflation rose moderately. The Bank of Japan pledged to keep its massive stimulus in place but made tweaks to reduce adverse effects of its policies on markets and commercial banks, reflecting the central bank's view that its inflation target remains stubbornly out of reach. Euro zone economic growth slowed further in the second quarter, preliminary data showed, on what economists said were concerns over a possible trade war with the United States. Japan's jobless rate rose in June while the availability of jobs improved to the highest in more than four decades, figures from the Internal Affairs ministry showed. U.S. retail sales rose solidly in June as households boosted purchases of automobiles and a range of other goods, cementing expectations for robust economic growth in the second quarter. The euro zone's surplus for goods traded with the rest of the world dropped in May as exports fell and imports increased, one month before U.S. tariffs on European steel and aluminium kicked in, official data showed. U.S. consumer prices recorded their largest increase in nearly 6-1/2 years in the year through June, while the monthly pace continued to suggest a steady buildup of inflation that could keep the Federal Reserve on a path of gradual interest rate increases. U.S. services sector activity picked up in June amid strong growth in new orders, but trade tariffs and a shortage of workers were starting to strain the supply chain, which could slow momentum in the coming months.

Total global demand for gold was 1,959.9 tonnes over January-June, down from 2,086.5 tonnes in the same period last year and the lowest first-half total since 2009, the industry-funded WGC said in its latest Gold Demand Trends report. For the second quarter, demand was down 4% year on year at 964.3 tonnes. Purchases of gold for investment fell 9%, driven by a 46% decline in ETF buying. On the other side of the market, increased mine production and recycling helped lift overall supply by 3% to 1,120.2 tonnes in the second quarter.

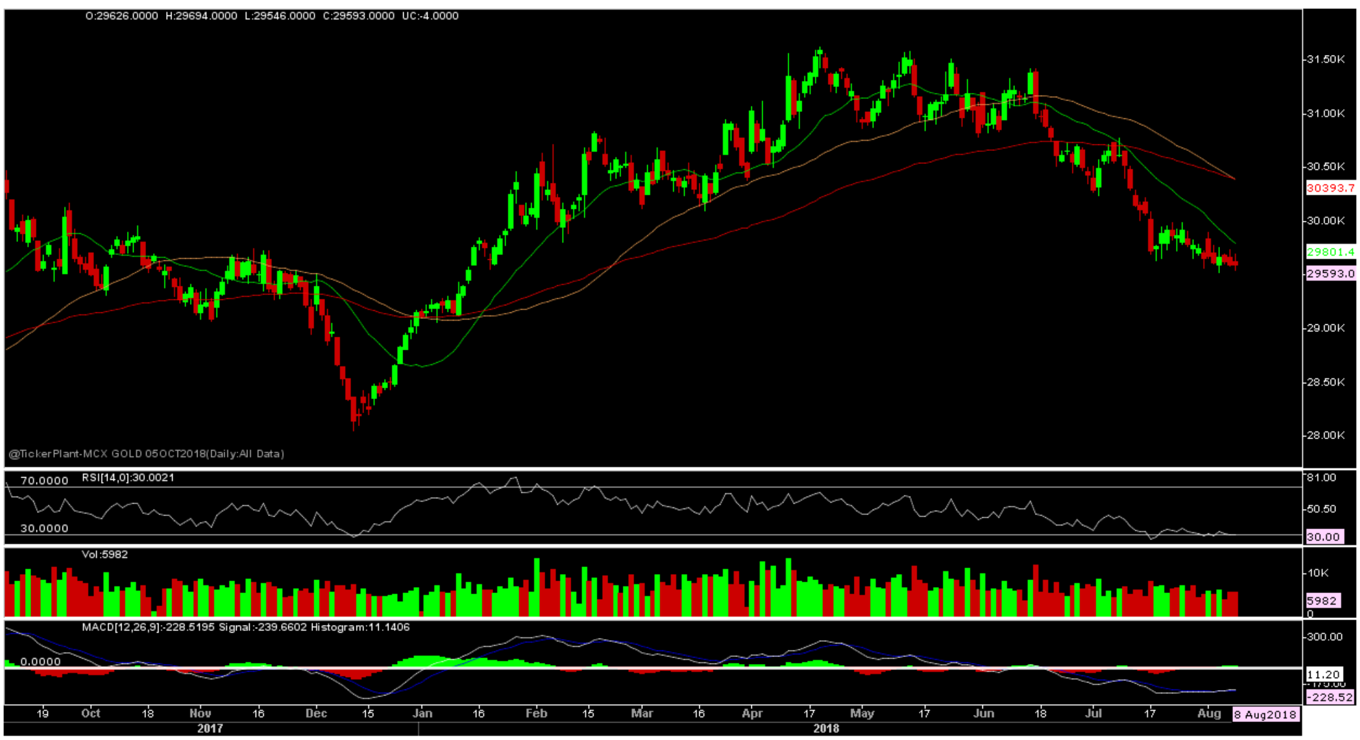
On supply side, Russia produced 92.56 tonnes of gold in the first five months of 2018, up from 90.39 tonnes in the same period in 2017, the finance ministry said on Wednesday. China's gold output dropped by 7.9% in the first half of this year to 190.28 tonnes due to an environmental crackdown on illegal mining, Xinhua News Agency reported, citing figures from the China Gold Association.

On demand side, India's gold imports fell for a sixth month in June to 44 tonnes, provisional industry data showed. Indian gold demand is set to improve in the second half of 2018, after falling 6% in the first half, as government steps to boost farmers' incomes are expected to lift rural buying power, the World Gold Council (WGC) said latest. A hike in crop prices and farm loan waivers would improve rural demand in the second half of the year. Two-thirds of India's gold demand comes from rural areas, where jewellery is a traditional store of wealth. In the April-June quarter, Indian gold demand fell 8% from a year ago to 187.2 tonnes, hit by a rally in local prices due to a depreciating rupee, the WGC said in a report published month end. Despite the fall, the WGC maintained a 2018 demand estimate of between 700 and 800 tonnes versus 763.4 tonnes last year. India's demand has averaged 840 tonnes a year over the last decade.

on investment demand side, SPDR holdings have been trending down since April 30, partly due to higher U.S. interest rates, raising the cost of holding gold, which earns no income, interest or dividends and costs money to store and insure. Investors retreating from gold can be seen in the largest gold-backed exchange-traded-fund (ETF), New York's SPDR Gold Trust GLD, which has seen its holdings fall more than 8% since late April to below 26 million ounces. Investment gold demand fell 9% in the first half of 2018 from a year ago to 71.6 tonnes as the stock market was giving better returns than bullion, WGC said. In the second half also, investment demand will remain under pressure as a rise in interest rates makes bank deposits attractive for some investors. Jewellery consumption in India fell 8% in the second quarter to 147.9 tonnes, in part because of the weaker rupee. Demand in China was more resilient, rising 5% to 144.9 tonnes.

Going ahead, Overall Gold will likely trade within a tight range near term as conflicting signals support for bullion from geopolitical worries and pressure from strength in the U.S. economy. The prospect of a trade war between the U.S. and other economies to put a floor under gold prices in the short term but ultimately we think that Fed tightening will prove too strong a headwind. In 2018, gold will deliver its strongest annual price performance in five years, GFMS analysts forecast, as political uncertainty drives investment in bars and bullion-backed funds. There are concerns over sizeable U.S. debt, there’s the mid-term election in November, there's enough out there that could see the dollar eventually weaken and gold prices start to improve through the back end of this year. Gold prices could break above $1,400 an ounce for the first time since 2013 this year as an uncertain outlook for stocks, bonds and currencies tempts investors to use the precious metal as a safe haven, according to a Reuters survey of analysts.

Technical Outlook:



On the Daily Chart:

After almost 3-4 top during last 2-3 months price Continue to fall towards 1-year low in international market and towards calendar year low in domestic MCX. Price trading below all 3-SMA with RSI continue near 30 mark throughout the month and fall from 55 mark towards 30 in last 1 ½ month with MACD below signal line indicates more weakness in coming weeks.

In COMEX GOLD is trading at $1410 immediate support at $1200 followed by 1180 while resistance at $1235 & 1265.

Expected support and Resistance level for the month

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Gold	S1	S2	R1	R2
COMEX/DG CX ($)	1200	1180	1235	1265
MCX (Rs.)	29500	29100	30000	30250

RECOMMENDATION:

MCX Gold Feb: Buy only above 30000 Stop Loss 29800 Targets 30250-30550.
Sell below 29550 & 29500 Stop Loss 29775 Target 29100-29000.

SILVER

Technical Outlook:

On the Daily Chart:
On broader daily chart silver trading between 36700-41700 during 2018 and trading around support level. Its trading below all 3 SMA with below signal line MACD and falling RSI near 30 mark indicates more selling pressure in coming weeks. However divergence seen in RSI recently as price made fresh low but RSI didn’t react and some upside seen.

Expected support and Resistance level for the month

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Silver	S1	S2	R1	R2
COMEX/DG CX ($)	15.10	14.35	15.70	16.65
MCX (Rs.)	37500	36600	38700	39500

RECOMMENDATION:
MCX Silver July: sell below 37700 & 37500 S/L above 38300 Target 37000-36600.

CRUDE OIL

Market Outlook and Fundamental Analysis

After hit 3 ½ year high last month crude posts biggest monthly loss since July 2016 with Brent down 6% while WTI fall 7% on supply worries after OPEC output reached a 2018 high in July, overshadowing reports that the United States and China might reopen trade talks that could boost demand added by unexpected rise in US crude oil stocks and firm dollar index weigh on prices. This is despite fall in crude oil inventory at US as well as global from where it was year ago and looming restrictions on Iran early of Aug month & in Nov. some pressure seen from trade dispute between the U.S. and China, as well as other major economic blocs, has raised the possibility of slower economic growth and weaker energy demand. During the month U.S. dollar hit its highest level against a basket of other currencies since July 2017. On July 11, Brent register biggest one-day fall in two years by 6.9% a day.

On 30-7, Russia and the Organization of the Petroleum Exporting Countries boosted output in July, according to a Reuters production survey. It showed OPEC members boosted output in July by 70,000 barrels per day (bpd) to 32.64 million bpd, a high for the year. The Organization of the Petroleum Exporting Countries, plus Russia and other allies, decided in June to ease supply cuts in place since 2017.

Other side Crude inventories at the Oklahoma, delivery point for WTI have been dwindling, in part due to the situation at the Syncrude facility that has reduced the flow of oil into the hub. Stocks at the Cushing dropped to 23.7 million barrels, the lowest since November 2014 in the week to July 20. During mid of the month U.S. crude oil inventories tumbled more than expected to their lowest level since Feb 2015, according to the EIA data.

The oil market largely brushed off government latest data said the U.S. economy grew in the second quarter at its fastest pace in nearly four years. It was a strong number that suggests strong energy demand into the end of the year. Economic and oil demand growth are correlated as expanding economies support fuel consumption for trade and travel, as well as for automobiles.

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U.S. energy companies added three oil rigs in the week to July 27, the first time in the past three weeks that drillers have added rigs, General Electric Co's Baker Hughes energy services firm said on last Friday of July.

Production from seven major U.S. shale oil formations is expected to rise by 143,000 bpd to a record 7.47 million bpd in August, the U.S. Energy Information Administration said.

China's crude oil imports fell for a second month in a row in June to their lowest level since December, as shrinking margins and volatile oil prices led some independent refiners to scale back purchases.

Finance ministers and central bank governors from the world's 20 biggest economies ended a meeting in Buenos Aires calling for more dialogue to prevent trade and geopolitical tensions from hurting growth. The talks occurred amid escalating rhetoric in a trade dispute between the United States and China, the world's largest economies, which have already slapped tariffs on $34 billion worth of each other's goods.

Going ahead, Geopolitical concerns, increasing trade friction between China and the U.S. is likely to rock global markets and tarnish bullish sentiment in crude oil markets. Demand from emerging countries and production-supply from US will play important role for H1-2018 while OPEC decision for production cut will play bigger role in later part of the year. But the rise in U.S. Treasury yields above 3% has driven the dollar to three-month highs, making oil more expensive for buyers using other currencies. This might eventually pressure crude prices, even though oil and the dollar have moved in tandem for a few weeks. Global GDP growth is expected to rise to 3.9 percent this year and in 2019. As a result, oil demand growth is also expected to remain robust over the next two years.

<u>Technical Outlook</u>:-

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

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Crude oil trading at long term trend line support level which hold since June 2017 and also at 200 days SMA if Sustain below both of this we might seen medium term down trend for Crude oil. Price trading below short & medium term SMA with MACD fall below signal line and RSI at crucial support level, next few days trade action important for medium term trend. Since Sep 2017 price tested many time 200 days SMA but not break and now trading at exact level 4575, if sustain below same than we might seen sharp fall in coming weeks.

Expected Support and Resistance level for the month

Crude	S1	S2	R1	R2
NYMEX/DG CX ($)	66.90	63.60	70.50	75.50
MCX (Rs.)	4580	4380	4775	4910

RECOMMENDATION:

MCX Crude: Buy Only above 4850 & 4910 Stop Loss below 4700 Target 5100-5200.
Sell below 4590 Stop Loss above 4775 Target 4400-4300.

Natural Gas

Technical Outlook:

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On the Daily Chart: Natural Gas rebound smartly in 2nd half of July from 1st half fall and end month with almost flat movement. On broader view, it traded in long term trend line support & Resistance since Apr 2016 and look to break triangle either side soon. If so will result in sharp Rally for short to medium term. With price trading above all 3-SMA and MACD near zero line turning positive with sharp rally in RSI indicates more upside in prices. However it has major hurdle at 209-211 Range break of which will test its 2018 peak in coming days.

RECOMMENDATION:

MCX NG : Buy above 202.50 Stop Loss below 198 for the Targets of 208-211.
Sell below 193.50 S/L above 198 Target 188-186 Range

Base Metals

Market Outlook and Fundamental Analysis

COPPER:

Base metals mostly slide during July with Copper lost almost 4.7% in month which would mark their steepest monthly fall since December 2016 partly due to fears of a China-U.S. trade war added by slower growth prospect in top consumer China and recovery in dollar makes pressure in Base metals complex. In July Copper, zinc, lead sink to lowest in about a year while nickel, tin and aluminium dropping to multi-month lows. In 1st week of July LME copper shed more than 5%, its steepest weekly drop since January 2015.China's official Purchasing Managers' Index (PMI) released on last day of July fell to 51.2 in July from 51.5 in June and below the 51.3 in a Reuters poll of economists. This is despite some wage negotiations at world largest copper producing mines and any strike situation will resulted in supply disruptions & support prices at lower level. Concerns over the impact of trade tensions on metals demand copper down around 15% on the LME since early June. The Chinese yuan down more than 6% against the dollar since mid June amid the trade tensions and also impact on base metal prices. In last week of July, Copper rose 3.5% in Shanghai this week, its first weekly rise in seven after fears of a global trade war dragged prices down.

Workers at Codelco's Chuquicamata copper mine in Chile, the state miner's second largest by output, walked off the job on 30-7 and blocked access to the mine, union leaders said, in a move criticised as "illegal" by Codelco. The union at BHP's Escondida mine in Chile, the world's largest copper deposit, is expected overwhelmingly to reject the final contract offer from the Anglo-Australian miner, increasing the likelihood of a strike, a union leader told on 30-7. Union members have until Wednesday to finish voting on the company's proposal, when the union will conduct an official count. After that, either party can call for government-mediated arbitration that could last up to 10 days. Last year, a 44-day strike at the mine pushed copper prices sharply higher.

The possibility of another strike there pushed benchmark copper prices in London to a near 4-1/2 year high of $7,348 a tonne on June 7, before fears that a U.S.-China trade war could crimp demand pushed the price below $6,000 tonne in mid July.

In July, Copper prices are now below the marginal costs of production — the highest costs of production — estimated to be between $6,200-$6,400 by some analysts. Copper prices are now below the marginal costs of production — the highest costs of production — estimated to be between $6,200-$6,400 by some analysts.

Other news, Anglo American is going ahead with developing its $5 billion Quellaveco assets in Peru, one of the world's largest untapped copper projects.

Global copper consumption is estimated at around 24 million tonnes this year, with China accounting for about half of that. China's property sector consumes more copper than the U.S. alone

On data side, Profit growth for China's industrial firms eased in June from the previous month, latest data showed, as factory production slowed amid the worsening U.S. trade dispute and Beijing's efforts to cut pollution and debt. China's June scrap copper imports dropped by 39.8 percent year-on-year to 200,000 tonnes, Chinese customs data showed.

It is to be expected that China will adopt a more vigorous fiscal policy to help tackle external uncertainties without resorting to strong policy stimulus. Slowing economic growth has sparked a heated debate among government researchers on whether fiscal policy should play a bigger role in softening the impact of a trade war with the United States.

Domestic news, India's Hindalco Industries Ltd said its U.S. unit Novelis Inc has agreed to buy aluminium processor Aleris Corp for $2.6 billion.

Going ahead, Accelerating growth in major economies and increased infrastructure spending driving price rises for industrial commodities and energy sources beyond the multi-year highs they're now touching. there are over 30 labour contracts, covering around five million tonnes of mine supply, due to expire this year, most of them in Chile and Peru this will keep momentum in base metals.

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The largest identifiable potential issue concerns the Escondida contract due June, 2018, given the 2-month strike earlier this year

Chinese demand for industrial metals typically picks up in the second quarter ahead of construction activity over the summer months. We think construction activity is going to be more subdued this year because of the curbs on lending by the Chinese government to control the property market bubble.

NICKEL

Global crude steel production rose 5.8 percent in June from a year ago, while output from top producer and consumer China rose 7.5 percent.

ZINC & LEAD

Zinc has fallen almost 30% since February and is near a one-year low of $2,473.85 hit on July 20. Expectations for a rise in zinc concentrate supplies in coming years have driven down the metal price in London to one-year lows, but smelting capacity constraints suggest the sell-off is premature.

While copper and zinc stocks in LME-registered warehouses were fairly stable in July, stockpiles in Shanghai Futures Exchange storehouses fell, with copper down 25% at 197,068 tonnes and zinc down 50% at 48,135 tonnes. Underlining concerns of tight supply, one entity held 50-79% of LME copper warrants and one entity controlled 50-79% of LME zinc warrants.

Traders are watching a large holding of zinc warrants and cash contracts between 50 and 79 percent, which potentially means nearby tightness on the LME market.

Shortages saw zinc prices rise 60 and 29 percent in 2016 and 2017 respectively. Losses so far this year total 20 percent.

Earlier this year, the International Lead and Zinc Study Group (ILZSG) said some 880,000 tonnes of additional zinc mine capacity was due to come on stream this year.

Cancelled warrants - metal earmarked for delivery and so no longer available - at 130,600 tonnes or more than 50 percent of lead stocks have created worries about shortages of the battery material on the LME market.

ALUMINIUM

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Aluminum fall in July after Cancelling sanctions on Rusal, the world's biggest aluminium producer outside of China, would ease fears of a supply shortage. However, some investors who had placed short positions in expectation of sanctions being lifted were now liquidating them. Aluminium soared to a seven-year peak of $2,718 in April after sanctions were slapped on Rusal, but prices tumbled after the United States initially said there was potential for the sanctions to be lifted. Prices lost further ground over the past two months on worries of weaker demand because of trade tensions and a slowdown in top metals consumer China.

Shanghai aluminium gain of 2.3% on last week of July, its biggest weekly jump since April while LME aluminium is poised for its first weekly jump in eight after funds cut bets on lower prices.

The amount of cancelled aluminium inventory — stock earmarked for delivery — rose 23,175 tonnes, mainly from Busan, taking on-warrant stocks to 939,975 tonnes.

China's aluminium producers are responding to tighter supply conditions by boosting output, data showed. China's June output rose by 0.8 percent to 2.83 million tonnes, which on daily basis was the highest since June 2017, according to Reuters' calculations based on official data.

China's aluminium exports exceeded half a million tonnes for the second time ever in June, while steel exports hit an 11-month high, defying U.S. tariff.

Base Metals

TECHNICAL OUTLOOK:

COPPER:

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<u>On the Daily Chart:</u> during the month Copper traded mostly range bound with break of both medium term support line & also breach upper trend line. However its trading below all 3-SMA, with below signal line MACD and falling RSI indicates more pain in the counter.

Expected Support & Resistance level for the month

Copper	S1	S2	R1	R2
MCX	409	400	434	440

RECOMMENDATION:

COPPER MCX:- Sell below 412 & more below 409 Stop Loss above 422 Target 400-390 Range.
Buy only above 434 Stop loss below 427 Target 440-454.

<u>LEAD</u>:

<u>Technical Outlook:</u>

Expected support and Resistance level for the month

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Lead	S1	S2	R1	R2
MCX	143	140	149.50	158

RECOMMENDATION:

LEAD MCX: - Sell below 144 & 143 Stop Loss above 148.75 Target 138-134.
Buy Only above 151 Stop Loss below 147 Target 157-163

ZINC

TECHNICAL OUTLOOK:

Expected Support & Resistance level

Zinc	S1	S1	R1	R2
MCX	174	171	185	192

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RECOMMENDATION:

ZINC MCX :- sell below 174 Stop Loss above 180.50 Target 171-164
Buy only above 185 Stop Loss below 179.50 Target 192-195

NICKEL

TECHNICAL OUTLOOK:

Expected Support & Resistance level

Nickel	S1	S1	R1	R2
MCX	935	900	970	990

RECOMMENDATION:

Nickel MCX :- Buy above 970 Stop Loss below 940 Target 990-1040
Sell only below 913 & 900 Stop Loss above 945 Targets 880-855

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BONANZA RESEARCH TEAM

Fundamental Outlook by: **Mr.Vibhu Ratandhara**

Technical Outlook by: **Mr. Vibhu Ratandhara**

BONANZA COMMODITY BROKERS PVT. LTD.

DATE- Aug 8th, 2018

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