MONTHLY BULLETIN (RESEARCH) Date 8th June 2018

GOLD

CMP Rs. 31215 /10Gms MCX Aug 2018

Market Outlook and Fundamental Analysis:

During the month May gold trying to breach its previous month peak two time but fail to sustain above same & traded Range bound with almost flat monthly closing after 3-quarter gain & slight down in April. On one side gold get pressure from increasing dollar index which hit 6 ½ month peak & expectation of increase in US interest rate while other side it will get support at every bottom from geopolitical tension, Italy political situation & lower level technical buying. Early of the month gold peak to its May month high after the U.S. dollar backed away from 2018 highs after weaker-than-forecast U.S. inflation data and as tensions between the United States and Iran also supported the precious metal. The dollar slipped from a 4-1/2-month peak after U.S. data showed the Consumer Price Index rose 0.2% in April, less than the 0.3% increase that had been forecast. At mid of the month gold sliding to a fresh 2018 low as another rise in U.S. bond yields (near 7-year high) and concerns over political risk in Italy held the dollar index near its 2018 peak. Also after U.S. Treasury Secretary Steven Mnuchin's declaration that a trade war between China and the United States was "on hold" helped boost appetite for higher-risk assets, such as stocks. On 15th May Bullion had suffered its biggest single-day loss since November 2016 when it fell 1.7% to below the 200-day moving average and the psychologically significant $1,300-an-ounce level. Silver also end flat this month with less than half percentage gain in May. Gold down nearly 5% from its recent high $ 1365 on april 11, highest of nearly 3-month.

Gold's trading range in the first four months between low and high price was the lowest in percentage terms since it was fixed to the dollar in 1971. Gold demand has made its weakest start to a year since 2008, the World Gold Council said, with stagnant prices and the threat of rising rates leading investors to seek better returns elsewhere.

In its last meeting ended on May 2, In a statement following the end of a two-day policy meeting, the Fed held interest rates steady as expected. The central bank said inflation had "moved close" to its target and that "on a 12-month basis is expected to run near the (policy-setting) Committee's symmetric 2 percent objective over the medium term." The Fed's rate-setting committee downplayed a recent slowdown in economic and job growth, saying that activity had been expanding at a moderate rate and job gains, on average, had been strong in recent months. The Fed expressed confidence that a recent rise in inflation to near the U.S. central bank's target would be sustained, leaving it on track to raise borrowing costs in June. Higher interest rates dent the appeal of gold, which earns nothing and costs money to store and insure. Investors often use gold as a hedge against inflation.

On physical side, China's net gold imports via main conduit Hong Kong fell 35.3% in April from the previous month as demand for bullion weakened, latest data showed. India's gold imports in April fell for a fourth straight month from a year ago to 57 tonnes, on subdued demand after local prices jumped to 21 month highs, provisional data from consultancy GFMS and bank dealers showed. North American gold-backed exchange-traded funds registered inflows in April at their highest level since September 2017, with safe-haven purchases ushered in by a trade stand-off between the United States and China, Syria tensions and worries about possible U.S. sanctions on Russia. Global gold-backed ETF holdings added 15 tonnes to 2,484t in May, according to World Gold Council (WGC). Europe and Asia drove inflows as European funds have responded strongly in the past two months. North American fund flows reversed their early 2018 trend as they lost 2.3 per cent of assets

Most Federal Reserve policymakers thought it likely another interest rate increase would be warranted "soon" if the U.S. economic outlook remains intact, minutes of the central bank's last policy meeting showed. Higher interest rates make non interest-bearing assets like gold less attractive.

On data side, U.S. economic growth slowed slightly more than initially thought in the first quarter as consumer spending rose at its weakest pace in nearly five years. The U.S. employment data for April showed U.S. job growth increased less than expected in April and the unemployment rate dropped to near a 17-1/2 year low of 3.9 percent.

Going ahead, Overall Gold will likely trade within a tight range near term as conflicting signals between 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 are the mid-term elections 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. Key drivers: The recent stock market volatility, and U.S. President Donald Trump’s congressional tax deal and proposed budget that signal ballooning debt and higher spending, which in turn could make it hard to keep inflation in check.

MONTHLY BULLETIN (RESEARCH) Date 8th June 2018

Technical Outlook:

On the Daily Chart:

During the month Gold trying to break its April month peak 2-times but fail to sustain at higher level and fall towards low of the month but still manage to hold above 100 DMA. Also price trading above all 3-SMA with increasing RSI, above signal line MACD and increasing ATR indicates lower level supports

In COMEX GOLD is trading at $1298 immediate support at $1285 followed by 1275 resistance at $1310 & 1325.

Expected support and Resistance level for the month

Gold	S1	S2	R1	R2
COMEX/DG CX ($)	1285	1275	1310	1325
MCX (Rs.)	30800	30500	31600	31850

RECOMMENDATION:

MCX Gold Feb: Buy above 31400 Stop Loss 31175 Targets 31600-31850.
Sell only below 30950 & 30850 Stop Loss 31100 Target 30375-30100.

MONTHLY BULLETIN (RESEARCH) Date 8th June 2018

SILVER

Technical Outlook:

On the Daily Chart:

During the month Silver continue its testing higher top & higher bottom pattern but fail to sustain at higher level with some indicator seen overbought in prices. However it manage to break above all 3 SMA and trading above same with MACD above Zero line and neutral RSI indicates more strength in coming days.

Expected support and Resistance level for the month

Silver	S1	S2	R1	R2
COMEX/DG CX ($)	16.30	16	17.35	17.70
MCX (Rs.)	40000	39450	40950	41350

RECOMMENDATION:

MCX Silver July: buy above 40750 & more above 40950 S/L below 40250 Target 41350-42000.

MONTHLY BULLETIN (RESEARCH) Date 8th June 2018

CRUDE OIL

Market Outlook and Fundamental Analysis

Crude ended almost flat in May after hit its highest level since 2014 above $ 80 & above $72.50 for Brent & WTI crude as Venezuela's production woes, geopolitical concerns that U.S. sanctions on Iran could curb the country's crude exports have led prices to trade multi year high. The United States is actively considering oil sanctions on Venezuela, where output has dropped by a third in two years to its lowest in decades. but at end of the m month price fall towards 6-week low below $ 75 for Brent as Saudi Arabia and Russia said they may increase supplies while U.S. production gains showed no sign of slowing.

The IEA said global oil demand would average 99.2 million bpd in 2018, although U.S. bank Goldman Sachs said consumption would cross 100 million bpd "this summer". The IEA warned global demand is likely to moderate this year as crude prices near $80 a barrel and many key importing countries no longer offer consumers generous fuel subsidies. In its monthly report, the Paris-based IEA cut its forecast for 2018 global demand growth to 1.4 million barrels per day, from 1.5 million bpd. The EIA on Tuesday raised its forecast for U.S. output in its monthly report to 12 million bpd late next year. The agency has raised its forecasts every month since last August. This would make the United States the world's largest producer, ahead of both Russia and Saudi Arabia.

Latest OPEC figures published showed oil inventories in OECD industrialized nations in March fell to 9 million barrels above the five-year average, from 340 million barrels above the average in January 2017.

WTI's discount to Brent widened to as much as $11.57 a barrel, largest since 2015, Concerns about growing U.S. crude production and a glut trapped inland due to a lack of pipeline capacity have pressured prices of WTI, doubling its discount to Brent over the course of a month. The wider premium makes U.S. crude exports more competitive than those linked to the Brent price, such as North Sea or West African grades of oil.

U.S. crude production rose in March by to 10.47 million bpd, a monthly record, the Energy Information Administration said on Thursday. On a weekly basis, it rose to 10.8 million bpd last week, close to top producer Russia, the EIA said.

Meanwhile, surging U.S. crude production showed no sign of abating as drillers continued to expand their search for new oilfields to exploit. U.S. drillers added 2-oil rigs in the week to June 1, bringing the total to 861, the most since March 2015, General Electric Co's Baker Hughes energy services firm latest data said. That was the eighth time drillers added rigs in the past nine weeks.

The Organization of the Petroleum Exporting Countries (OPEC) and other producers led by Russia began withholding 1.8 million barrels per day (bpd) of supplies in 2017, removing almost 2% of global supply from the market to tighten the market and prop up prices that in 2016 fell to their lowest in more than a decade at less than $30 a barrel. OPEC's main objective for the cuts is to eliminate a global surplus in oil stocks and rebalance the market. OPEC wants to reduce inventories held by industrialised nations to their five-year average. However Rising U.S. production has hurt OPEC's efforts to drain supplies. Output rose to its highest since the 1970s in late 2017, and by the end of 2018 is expected to top 11 million bpd.

Ahead of June 22 OPEC meeting, market is cautious. According to Sources Saudi Arabia, the effective leader of OPEC, and Russia were discussing boosting output by about 1 million bpd to compensate for losses in supply from Venezuela and to address concerns about the impact of U.S. sanctions on Iranian output. Market participants remain unsure how quickly an exit strategy can be implemented and whether it will go beyond just balancing the output drop from Venezuela. According to one study, even if Russia and OPEC producers raise output, they would likely only add an additional 500,000 bpd, which would leave inventories in the most developed countries short of the five-year average by the end of 2018. Given that our crude balance is short some 825,000 bpd over (the second half of the year), a gradual increase of about 1 million bpd would probably limit stock draws to quite some extent

On demand side, China reported weaker-than-expected investment and retail sales in April and a drop in home sales, clouding its economic outlook even as policymakers try to navigate debt risks and defuse a heated trade dispute with the United States. China's refinery runs rose nearly 12 percent in April from a year earlier, to around 12.06 million barrels per day, marking the second-highest level on record on a daily basis, data showed.

Domestic front, India's Reliance Industries Ltd, owner of the world's biggest refining complex, plans to halt oil imports from Iran, sources familiar with the matter said.

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. 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.

MONTHLY BULLETIN (RESEARCH) Date 8th June 2018

Technical Outlook:-

On the Daily Chart:

Crude oil continues its northward journey through out the May and trading at fresh 3.5-year peak. Now Price get strong support at 100 DMA while new break out in ATR, a positive MACD and surging RSI from oversold indicates more upside in short term. Only break below Long term & Short term trend line open room for correction.

Expected Support and Resistance level for the month

Crude	S1	S2	R1	R2
NYMEX/DG CX ($)	64.20	61.80	68.75	70.80
MCX (Rs.)	4300	4050	4625	4850

RECOMMENDATION:

MCX Crude: Buy Only above 4630 Stop Loss below 4490 Target 4850-4950.
Sell only below 4300 Stop Loss above 4430 Target 4150-4050.

MONTHLY BULLETIN (RESEARCH) Date 8th June 2018

Natural Gas

Technical Outlook:

On the Daily Chart: Natural Gas for the month of May break out seen at higher side but fail to sustain RSI, MACD and ATR is neutral but price make room upside with break above all 3 SMA. Unless price break above 191 and 192 it is likely to be range bound to down side for days to come.

RECOMMENDATION:

MCX NG : Buy above 202 Stop Loss below 196 for the Targets of 207-210.
Sell only below 191 S/L above 195 Target 185-183 Range

MONTHLY BULLETIN (RESEARCH) Date 8th June 2018

Base Metals

Market Outlook and Fundamental Analysis

COPPER:

Metals market seen like a Roller-Costar most of the month may because of so many fundamentals updates from US-China trade war to decreasing stocks and strong dollar makes base metals volatile. During May earlier copper fall towards 2-week low but recover smartly at last week to test 1-month peak but again fail to sustain and traded range bound while Nickel continue its northward journey throughout the month with price hit 5-week high. Zinc & Aluminum mostly traded in tight range between 205-215 & 153-162 in MCX but Lead recover smartly at end of the month with price hit biggest weekly rise of last 8-month thanks to plunge in available LME warehouse stocks. Lately in the month May base metals counter hit as jitters over the U.S.-China trade stand-off kept up pressure on cyclical assets like industrial metals, already hurt this week by worries over political turmoil in Italy. On last days of May China warned it was ready to fight back if Washington was looking for a trade war. That came after the United States, in a change of tone, said it still held the threat of imposing tariffs on $50 billion of imports from China resulted in copper is sliding towards the bottom of its recent range. During the month the dollar hit a 5-month high versus a currency basket, making dollar-priced metals costlier for non-U.S. investors and capping the upside in metals.

The ratio of zinc to lead - which is often traded because the two metals are usually found in the same ore bodies - has slid to 1.25, its lowest since December, after touching 1.39 in April and March, the highest since 2007.

On-warrant copper stocks in London Metal Exchange warehouses MCUSTX-TOTAL - representing metal not earmarked for delivery - eased to 191,200 tonnes, data showed on 30 May. That was the lowest since January. Inventories had fallen more than 100,000 tonnes since March to just over 280,000 tonnes.

MONTHLY BULLETIN (RESEARCH) Date 8th June 2018

China’s refined copper output in April jumped 12.3 percent compared to same period last year to 778,000 tonnes, latest data showed. Total scrap supply in China will drop by around 100,000 tonnes in 2018, but will return to positive growth in 2019, to rise by approximately 70,000 tonnes, Copper prices rose sharply last year when the restrictions were announced.

Copper output in Chile, the world’s top producer and exporter, rose 18.9 percent in the first quarter of 2018 from the same period a year earlier to 1.42 million tonnes.

Domestic updates, Vedanta Resources is working on a legal challenge to an Indian state’s closure of one of its copper smelters but will not proceed until tensions have eased over the deaths of 13 people during protests last week.

China’s property sector consumes more copper than the U.S. alone

On data side, U.S. economic growth slowed slightly more than initially thought in the first quarter, but a robust labour market and income tax cuts are likely to boost activity this year. Profits earned by Chinese industrial firms in April rose at their fastest pace in six months, latest data from the National Bureau of Statistics showed, as factories benefited from higher prices and strong demand. China’s economy will likely expand by around 6.7 percent in the second quarter this year, the State Information Center said. New home prices rose in April with an increasing number of smaller Chinese cities driving broader growth, pointing to resilience in a key industry for industrial metals. Industrial output in the United States rose in April, helped by an acceleration in manufacturing and mining, indicating that the economy was gathering momentum. China’s industrial output rose 7% in April, above forecasts for a 6.3% increase and up from a seven-month low of 6% in March. The U.S. economy added a fewer than expected 164,000 jobs last month, while the unemployment rate was at 3.9 percent. However, wages edged up only 0.1 percent, easing concerns that inflation pressures were increasing. Chinas Caixin/Markit Manufacturing Purchasing Managers’ index (PMI) climbed to 51.1, from a four-month low of 51.0 in March, and topped economists’ forecasts, but the same survey showed a sub-index on export orders shrinking for the first time since November 2016.

Chinese imports and exports grew more strongly than expected in April and copper imports rose 2.8 percent from the previous month, implying healthy demand and pushing prices higher in early trading.

Chinese banks extended 1.18 trillion yuan ($185.5 billion) in net new yuan loans in April. The forecast was for 1.1 trillion yuan compared with March’s 1.12 trillion yuan. As China dominates demand for most metals, its monthly update on the economy is watched closely, in particular with regard to the metals-intensive infrastructure and property sectors.

Supporting metals prices was data showing China’s producer inflation picked up for the first time in seven months in April, suggesting its industrial demand remains resilient even as trade tensions ratchet up with the United States.

Other news, Global miner Rio Tinto Ltd said it was in discussions to sell its interest in the world's second largest copper mine to Indonesia's state mining holding company Inalum.

Going ahead, China will again play a critical part in what happens to industrial metals. There are labour negotiations and potential for strikes in Chile attracts more investors likely to come back into the commodity space in 2018. 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. 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

Last week of May, In Shanghai, nickel, used in stainless steel, rose to the highest in three years. Shanghai nickel is up by around 7.9% this month against LME nickel was up 1.6%. nickel a best performing LME metal this year with gains of about 15%

LME nickel stockpiles are at their lowest since 2014, underlining a deficit in the metal used for stainless steel.

The global nickel market deficit widened to 15,700 tonnes in March from a revised deficit of 6,600 tonnes in the previous month, the International Nickel Study Group latest data said.

ZINC & LEAD

On-warrant zinc stocks in LME warehouses eased to 195,225 tonnes, their lowest in a month. The proportion of cancelled warrants - metal earmarked for delivery and therefore not available to the market - rose to nearly 15 percent from 6 percent last week.

China's refined zinc production rose 2.1 percent in April from a month earlier to 377,000 tonnes as smelters returned from maintenance.

China accounts for about half of global zinc demand, estimated at 14.4 million tonnes.

MONTHLY BULLETIN (RESEARCH) Date 8th June 2018

Lead hit its highest in nearly 3-months on last week as a plunge in available LME warehouse stocks fed into this week's price rally and Lead is the biggest riser among industrial metals this week, climbing more than 7%.

lead on the LME has risen almost 7% since on May 2, touching $2,241, the lowest since August. The metal broke above its 50-day moving average at $2,362. Lead from a raw materials side is probably the tightest commodity market out there. There has been a big clamp down on Chinese private sector mining. China is around 60% of primary lead supply

Lead On-warrant lead stocks in LME-registered warehouses - those not already earmarked for delivery - are down 20,325 tonnes or 22% last week of May to 72000 tones, Stocks are now at their lowest level since mid-2013. while Lead inventories in warehouses monitored by the Shanghai Futures Exchange fell 18% from a week ago to 12,676 tonnes, the exchange said on last Friday.

Over 2014-2016 global mined lead supply shrank by roughly 500,000 tonnes, or 10 percent. A Chinese crackdown since last year on industries that are heavy polluters squeezed output further.

This year, consultancy Wood Mackenzie forecast a market deficit of 115,000 tonnes in 2018 and 56,000 tonnes in 2019 after a 119,000 shortfall last year.

ALUMINIUM

Global primary aluminium output fell to 5.256 million tonnes in April from a revised 5.372 million tonnes in March, data showed.

The spread between aluminium for immediate delivery and the three-month contract MAL0-3 held in backwardation - a forward curve structure indicative of market tightness, into which it flipped at the start of the last week - though that shrank to just 50 cents a tonne.

Aluminium rallied to its highest since mid-2011 last week of April on fears that the global market could face shortages because of the sanctions on Rusal, a company that last year accounted for more than 6% of global aluminium output.

Aluminium hit almost 7-year high last month after the United States imposed sanctions on Rusal, the world's second-biggest producer of the metal. It has since retraced more than half of those gains on hopes that supply may be hurt less than feared.

MONTHLY BULLETIN (RESEARCH) Date 8th June 2018

Base Metals

TECHNICAL OUTLOOK:

COPPER:

On the Daily Chart: during the month Copper trading Range bound to upside. It traded below all 3 SMA with neutral RSI & MACD but strong ATR indicates more upside for coming days.

Expected Support & Resistance level for the month

Copper	S1	S2	R1	R2
MCX	475	465	494	505

RECOMMENDATION:

COPPER MCX:- Sell below 473 Stop Loss above 480 Target 460-455.
Buy only above 494 & 495 Stop loss below 484 Target 505-512.

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MONTHLY BULLETIN (RESEARCH) Date 8th June 2018

LEAD:

Technical Outlook:

Expected support and Resistance level for the month

Lead	S1	S2	R1	R2
MCX	163	158	172.5	180

RECOMMENDATION:

LEAD MCX: - Sell below 163 Stop Loss above 167 Target 158-154.
Buy above 172 & 173 Stop Loss below 167 Target 180-183

MONTHLY BULLETIN (RESEARCH) Date 8th June 2018

ZINC

TECHNICAL OUTLOOK:

Expected Support & Resistance level

Zinc	S1	S1	R1	R2
MCX	213	206	217.5	223

RECOMMENDATION:

ZINC MCX :- buy only above 217.5 Stop Loss below 213 Target 223-229

MONTHLY BULLETIN (RESEARCH) Date 8th June 2018

NICKEL

TECHNICAL OUTLOOK:

Expected Support & Resistance level

Nickel	S1	S1	R1	R2
MCX	1015	970	1065	1080

RECOMMENDATION:

Nickel MCX :- Buy above 1065 Stop Loss below 1035 Targets 1080-1095

MONTHLY BULLETIN (RESEARCH) Date 8th June 2018

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