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MONTHLY BULLETIN (RESEARCH) Date 7th May 2018

GOLD

CMP Rs. 31114 /10Gms MCX June 2018

Market Outlook and Fundamental Analysis:

After 3-quarter gain in gold, it end April down 0.5% & erasing all previous months gain to fall towards nearly 6-week low due to the dollar strengthened and as easing tensions on the Korean peninsula helped boost appetite for assets seen as higher risk, such as stocks added by a rise in US Treasury yields to above 3% for the first time in four years and ahead of a U.S. Federal Reserve policy meeting that is being watched for clues on the future pace of interest rate hikes. Bullion also looks vulnerable after breaking through chart support in the 1,320/1,317 area, its 100-day moving average and a key retracement of its January to March decline. MACD (moving average convergence-divergence) and momentum indicators also highlight downside risk, targeting $ 1,304.30, the 200-day moving average in near term. The Dollar index hit a 3-1/2-month high versus the euro ahead of the Fed meeting and moved into positive territory for the year against a basket of currencies. Silver also hitting $16.04, a more than four-month low while Palladium touching $939.47, a three-week low and Platinum the white metal used in autocatalysts and jewelry dipped to its lowest since Dec. 18. On a monthly basis palladium is the biggest riser among the major precious metals in April, up 1.1 percent after U.S. sanctions on major producer Russia stoked concerns over supply. Platinum, down 2.5 percent, is the biggest faller so far. Platinum has historically been the higher-priced metal, but supply concerns have driven palladium to a rare premium in recent months. Palladium, more than 40% of which is produced in Russia, has bounced strongly earlier of the month as sanctions against Moscow fed into a technically driven rebound after the first quarter's 10% slide.

Earlier of the month, gold Rally from concerns over the U.S.-China trade dispute, sanctions on Russia and unrest in the Middle East, but has been kept in check by the prospect of further interest rate hikes from the Federal Reserve. Silver Rally to 2 ½ month high because lower liquidity and it's more sensitive to sentiment added by Silver also is used for industrial purposes, so it has been lifted by a rally in base metals. Silver has been the worst performing precious metal over the past six months, little changed versus a rise of 4.5 percent for gold and 7.7 percent for palladium.

Rising interest rates typically weigh on gold, as they increase the opportunity cost of holding non-yielding assets such as bullion, while boosting the dollar, in which it is priced. Ultra-low rates were a key factor driving gold to record highs in the wake of the global financial crisis. World stocks are on track to rise this month for the first time since January, lifted by positive earnings from U.S. technology firms and a string of high-profile M&A deals.

Gold demand posted its weakest start to the year in a decade, the World Gold Council said latest, as prices of the metal stagnated and the threat of rising interest rates led investors to seek better returns elsewhere. Global gold demand totaled 973.5 tonnes in the January to March period, down 7% year on year and the weakest first quarter since 2008. India's gold imports in the first quarter of this year has dipped by 50 per cent to 153 tonne compared to the same period last year due to down-stocking by traders, according to the World Gold Council (WGC). Imports stood at 260 tonne in the corresponding quarter (January-March) of 2017, according to data by WGC. The net imports in 2017, stood at 888 tonne in 2017, and 558 tonne in 2016, according to data from WGC.

Other news, easing of geopolitical tension as at their summit on Friday, North Korean leader Kim Jong Un and South Korean President Moon Jae-in declared they would take steps to formally end the 1950-53 Korean War, which ended only with a truce, and work towards the "denuclearisation" of the Korean peninsula. Following the historic meeting between North Korean leader Kim Jong-un and South Korean President Moon Jae-in, North Korea appears ready to shut down its nuclear testing facility in the country's northeast soon.

In physicals, Sri Lanka imposed a 15% tax on imported gold with effect from Wednesday to prevent illegal smuggling of the metal from the island nation, a finance ministry official said.

Going ahead, we need to look ahead to key data, after new U.S. Federal Reserve Chairman Jerome Powell last week said the U.S. economy does not appear to be running hot. Forecasts issued by the Fed after last week's meeting showed central bank policymakers expect to raise interest rates three times this year, not four as expected. Higher interest rates make gold a less attractive investment since it does not draw interest. 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.

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Technical Outlook:

On the Daily Chart:

During the month Gold Continue its northward journey with price hit multi week high and mostrly trading above its all 3-SMA and headed towards July 2016 high but momentum fail at end of the month after easing of geopolitical tension and recovery in dollar. Still price trading successfully above all 3 SMA and trend line support with positive MACD but diversion in RSI and faling ATR indicates some pressure at higher level.

In COMEX GOLD is trading at $1315 immediate support at $1300 followed by 1275 resistance at $1335 & 1365.

Expected support and Resistance level for the month

Gold	S1	S2	R1	R2
COMEX/DG CX ($)	1300	1275	1335	1365
MCX (Rs.)	30850	30500	31650	32000

RECOMMENDATION:

MCX Gold Feb: Buy above 31650 Stop Loss 31200 Targets 32000-32200.
Sell only below 30850 Stop Loss 31150 Target 30375-30100.

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SILVER

Technical Outlook:

On the Daily Chart:

During the month Silver tested long term trading line but fail to sustain and fall still trading above lower support line and continue with higher top higher bottom pattern in short term. 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 ($)	16.00	15.60	17.35	17.70
MCX (Rs.)	38400	37500	40800	42000

RECOMMENDATION:

MCX Silver July: Buy only above 40350 & more above 40800 S/L below 39500 Target 42000-42400.

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CRUDE OIL

Market Outlook and Fundamental Analysis

Crude continue its northward journey during April also with gain of about 5-6% in WTI-Brent, risen to their highest since late 2014 and risen nearly 11% & 12.6% so far this year, driven by supply concerns should the United States reimpose sanctions on Iran which may disruptions to Iranian crude flows, strong demand from global developing market added by impact of production cut stage market for balance year. Brent crude futures this month hit highs above $75, a level last seen in late 2014. Concerns about market tightness have also been fueled by the deteriorating political and economic situation in Venezuela that has led to a 40% decline in crude output in the past two years. However, The U.S. dollar surged into positive territory for 2018 and broke past key levels against several currencies at highest of mid January level as a divergence between growth and the interest rate outlook versus other countries spurred investors to chase the currency higher restricts some crude oil Rally. A strong dollar makes greenback-denominated oil more expensive for holders of other currencies. Also, Growing U.S. crude production and stockpiles have weighed on the market. Price increases have been capped by rising U.S. production as shale drillers ramp up activity, underpinning a widening discount between Brent and WTI. U.S. crude's discount to Brent WTCLc1-LCOc1 hit its widest since Dec. 28 at $6.74 a barrel.

All eye on may 12 as U.S. President Donald Trump will decide by May 12 whether to reimpose sanctions on Iran that were lifted as part of an agreement with six other world powers over Tehran's nuclear program. The renewed sanctions would likely dampen Iranian oil exports, disrupting global oil supply. Trump has given Britain, France and Germany a May 12 deadline to fix what he views as the flaws of the 2015 nuclear deal, or he will reimpose sanctions.

Meanwhile, U.S. crude production jumped 260,000 barrels per day (bpd) to 10.26 million bpd in February, the highest on record, the Energy Information Administration said in latest monthly report on Monday. In the latest development in the U.S. shale boom, Marathon Petroleum Corp agreed to buy rival Andeavor for more than $23 billion. The largest-ever tie-up between U.S. refiners will give the combined company a nationwide presence and increased access to growing export markets. The deal gives Marathon more exposure to U.S. shale, thanks to Andeavor's existing logistics and terminal operations in Texas and North Dakota shale regions.

OPEC said in its monthly report oil stocks in the developed world fell by 17.4 million barrels in February to 2.854 billion barrels, around 43 million barrels above the latest five-year average. A surplus in global oil inventories is also close to evaporating, OPEC said, adding its collective output fell to 31.96 million barrels per day (bpd) in March, down 201,000 bpd from February.

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Other side, U.S. drillers added five oil rigs this week, bringing the total count to 825, the highest level since March 2015, and boosted the overall rig count by 28 this month, General Electric Co's Baker Hughes energy services firm said. But while U.S. producers are accelerating shale drilling in areas in the United States, higher production has not necessarily translated into stronger refining results for some oil companies.

Supplier cutbacks, steady demand growth, geopolitical tensions and a favorable structure in the futures market have attracted record investment in oil this year.

According to one estimates, China on track to import record of more than 9 mln bpd in April, it's most ever and nearly 10% of global consumption. Demand in Asia, the world's biggest oil-consuming region, has hit a record as new and expanded refineries start up from China to Vietnam. Earlier, US president tweeted, Looks like OPEC is at it again, "With record amounts of Oil all over the place, including the fully loaded ships at sea, Oil prices are artificially Very High! No good and will not be accepted!"

The only thing can really do is drain the SPR (Strategic Petroleum Reserve). If Trump does start discussing the possibility of draining the strategic petroleum reserves, or SPR, that would pressure prices.

The OPEC and other producers including Russia agreed to cut output by about 1.8 million bpd from January 2017, removing almost 2% of global supply from the market, to end a supply glut that had triggered an oil price collapse. 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.

Strong compliance with OPEC-led production cuts, robust demand and supply disruptions in the Middle East are likely to lift oil's average price this year to above $67 a barrel, a pvt poll showed.

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.

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Technical Outlook:-

On the Daily Chart:

Crude oil continue its northward journey through out the April and trading at 3-year peak. Price trading above all 3 SMA with strong indication & new break out in ATR, a positive MACD and surging RSI 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 ($)	66.80	65	71	73
MCX (Rs.)	4465	4300	4770	4850

RECOMMENDATION:

MCX Crude: Buy Only above 4770 Stop Loss below 4680 Target 4850-4950.
Sell only below 4465 Stop Loss above 4600 Target 4300-4050.

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Natural Gas

Technical Outlook:

On the Daily Chart: Natural Gas for the month of April traded Range bound with Small range between 172-190 with support at lower level from last month low while resistance seen at higher level from long term down trend channel line and retracement level. 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 191 Stop Loss below 182 for the Targets of 207-210.
Sell only below 175 S/L above 182 Target 167-163 Range

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Base Metals

Market Outlook and Fundamental Analysis

COPPER:

After a positive start of base metals in Q2-2018 first month as generally April-June period was the peak season for metals consumption, but prices seen Roller-Costar on trade war between US-China and volatile dollar index. During April Aluminum hit 7-year peak while Nickel also hit 3-year high while copper also rally 2-month high but ended almost flat while Zinc & Lead fall marginally in April. This month's sharp price swings in Aluminum still leave the metal up nearly 12% in April, its biggest monthly rise in nearly 8-years. Most volatile trade seen in Aluminum as earlier the price of metal used in aeroplane parts and beer kegs has been erratic since the United States imposed sanctions on a major shareholder of the world's second-biggest aluminium producer, Russia's Rusal. It hit a seven-year peak of $2,718 on April 19 after the U.S. imposed sanctions on Rusal, one of the world's largest aluminium producers but it clocking up its worst week since November 2008, down 10% after sources said sanctions-hit Russian producer Rusal will overhaul its management structure to restore shipments, further dampening fears of a supply shortfall and fell sharply from its April 19 peak. The United States imposed import tariffs of 25% on steel and 10% on aluminium in March, but it provided a temporary exemption until May 1 for the EU. President Donald Trump will decide then whether to make the exemption permanent. nickel on the LME rose to a 3-year high of $16,690 a tonne in April and it has risen nearly a third since sanctions were imposed on Rusal on April 6.

Aluminum Prices An extension of the deadline to Oct. 23 from June 5 to wind down business with Rusal have since seen aluminium prices drop more than 15 percent in a week.

How Rusal important, Ex-China will be in a deficit of about 5 million tonnes if no Rusal material can be used. Even if you add Chinese (semi manufactured) aluminium exports to the mix, we're still in deficit of 3.3 mln tonnes ex-China if you eliminate Rusal.

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It's a bit of a rollercoaster but the clear message is that both sides are trying to work out a way to avoid sanctions on Rusal. We had signs of that from the U.S. side this week, and now it looks as though Russia (and) Rusal is also making efforts to at least soften the blow

Other news, Chile's Escondida, the world's largest copper mine, said on last week that early contract talks with its workers' union ended without an agreement, setting the stage for legally scheduled negotiations to begin in June.

On-warrant copper inventories in LME-registered warehouses fell by 20,225 tonnes to 286,675 tonnes, their lowest in a month, the exchange data showed. Copper ended the day down 0.7 percent at $6,943 a tonne.

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

On data side, Growth in China's vast manufacturing sector eased only slightly in April in a sign of broad economic resilience, though slowing export orders pointed to risks to the outlook amid a simmering Sino-U.S. trade row. It marked the 21st straight month of expanding business conditions in China. Chinese industrial output expanded 6.0 percent in March year-on-year, the slowest pace in seven months, while fixed asset investment for January-March also came in below expectations. China's economy, however, grew 6.8 percent in the first quarter of 2018, slightly faster than expected.

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

Indonesia exported 8,637,595 tonnes of nickel ore up to March 31, 2018.

LME nickel added 1.2 percent to $13,865, as traders worried about a possible knock-on impact from sanctions, since Rusal owns a 28 percent stake in Norilsk Nickel.

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ZINC & LEAD

In February zinc touched it's highest in more than a decade at $3,595.50 on supply concerns after closures and suspensions of big mines in recent years, but many operations have now resumed production.

Zinc stocks in warehouses certified by the London Metal Exchange have jumped 26% last week, rising by a further 18,675 tonnes on Thursday. The amount of cancelled inventory - stock earmarked for delivery - was very low at 5.4 percent, LME data showed.

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

ALUMINIUM

Aluminium hit its highest in almost seven years at $2,718 a tone in April and it has risen nearly 40% since the Rusal sanctions were imposed.

Aluminium hit its highest in nearly seven years on Wednesday amid growing supply concerns in the aftermath of U.S. sanctions on Rusal, while nickel hit a three-year peak on technical factors and fears over additional Russian sanctions.

Aluminium rallied to its highest since mid-2011 last week 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 percent of global aluminium output.

The metal is down about 18 percent from the $2,718 seven-year high hit on April 19 after the original sanctions announcement raised concern over potential aluminium shortages.

Aluminium clawed back some lost ground on Wednesday after four straight days of losses, but remained down 18 percent from its April peak as concerns over the impact of U.S. sanctions on Russian producer United Company Rusal eased.

If the sanctions had been placed on Rusal in full as seemed likely last week, it would have been very disruptive for global supply chains," Capital Economics analyst Caroline Bain said. "There could have been a shortfall of aluminium in the world (excluding) China."

Treasury Department gave Americans until Oct. 23, instead of June 5, to wind down business with Rusal and said it would consider lifting sanctions if Russian tycoon Oleg Deripaska ceded control of the company.

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Total stocks of aluminium in LME-approved warehouses fell 8,575 tonnes to 1.3 million tonnes. About 69 percent of that is available to the market.

Aluminium market deficits are set to deepen, but the market is likely to rebalance once the dust settles after U.S. sanctions on Russian producer Rusal, leaving prices little changed, a poll showed.

Consumption of aluminium in China, the world's top user, will increase by 7-9 percent this year and next, an executive at Aluminum Corp of China (Chalco) said.

The most-traded June aluminium contract on the Shanghai Futures Exchange is up only about 6 percent since the Rusal sanctions were imposed. Rusal accounted for more than 6 percent of global aluminium output last year and fears of supply shortages pushed prices to a seven-year peak of $2,718 on Thursday. The metal is still up 23 percent since April 6.

The metal, with uses as diverse as in beer kegs and aeroplane parts, also recorded its biggest one-day jump since November 2011.

According to analysts at CRU, Rusal accounts for 14 percent of supplies outside top producer China. Global output this year is estimated at 65 million tonnes.

Rusal produced 3.7 million tonnes of aluminium last year, which according to brokers Argonaut is about 7 percent of the world total. Rusal says exports to the United States account for over 10 percent of its output.

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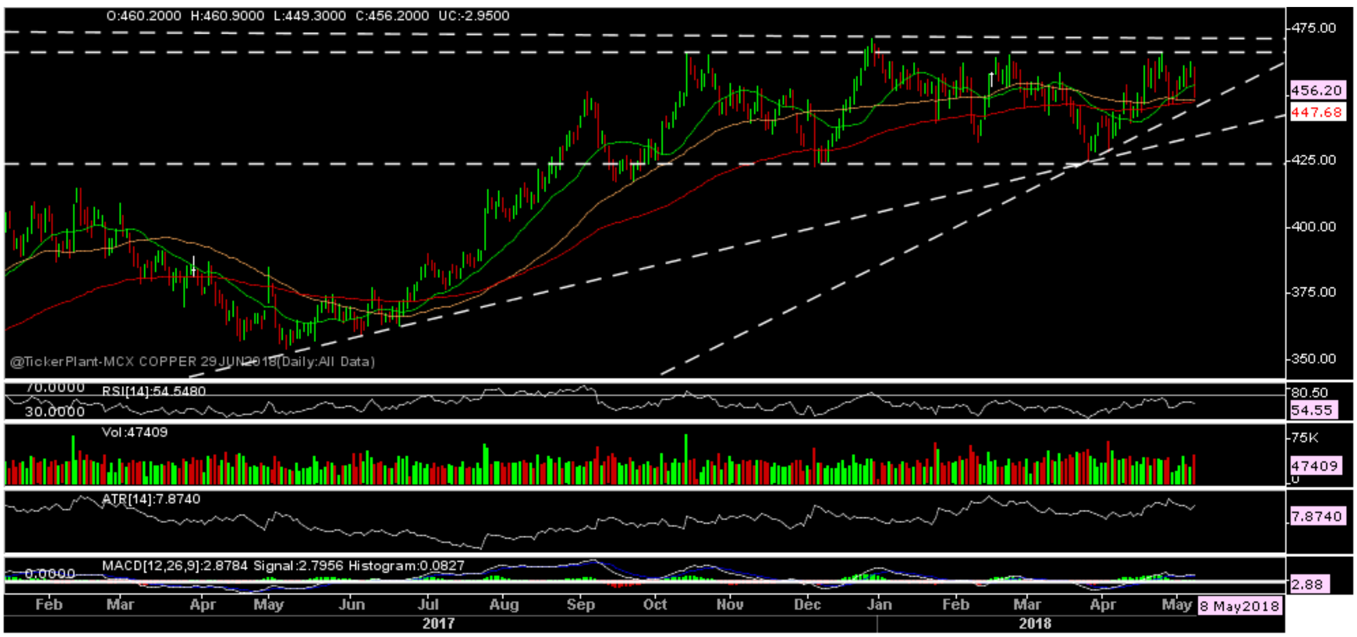
Base Metals

TECHNICAL OUTLOOK:

COPPER:



On the Daily Chart: during the month Copper trading Range bound and as seen in chart it fail to break lower as well Upper trend line. So for short term it's in lower top lower bottom while for long term weekly chart price still making higher top higher bottom indicates mix of the clue for short term unless we get clear break-out on closing basis. It traded below all 3 SMA with neutral RSI & MACD but strong ATR indicates no clear direction.

Expected Support & Resistance level for the month

Copper	S1	S2	R1	R2
MCX	446	423	466	472

RECOMMENDATION:

COPPER MCX:- Sell below 449 and 446 Stop Loss above 461 Target 433-430.
Buy only above 466 & 472 Stop loss below 452 Target 485-490.

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LEAD:

Technical Outlook:

On the Daily Chart: Since last 2-month Lead continue trading between 150-160 Range due to lack of fundamental trigger and unless successfully break of range advisable not to build huge position. It also traded below all 3 SMA with neutral RSI, falling ATR and below zero line MACD indicating mix of signals.

Expected support and Resistance level for the month

Lead	S1	S2	R1	R2
MCX	149.5	143	159.50	164

RECOMMENDATION:

LEAD MCX: - Sell below 150.5 & 149 Stop Loss above 154 Target 144-142.
Buy above 159 Stop Loss below 154 Target 168-170

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ZINC

TECHNICAL OUTLOOK:

On the Daily Chart:

Zinc has traded in a rising channel pattern since Dec last year and this may seen till last week of Feb but party end with some trade war news and also after stocks seen increasing at warehouse. Price breaks its higher top higher bottom pattern first time since June 2017 but down side cap as deficit seen for whole year. Still price traded below all 3 SMA (20-50-100) with neutral RSI, below zero line MACD but increasing ATR suggest mix of view.

Expected Support & Resistance level

Zinc	S1	S1	R1	R2
MCX	198.5	193	213	217.50

RECOMMENDATION:

ZINC MCX :- Sell only below 198.5 Stop Loss above 205.50 Target 193-190

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NICKEL

TECHNICAL OUTLOOK:

On the Daily Chart:

During the month April Nickel rocket towards multi year high thanks to sanction by US and after some deficit expectation ahead of peak demand season. Now it traded above all 3-SMA while RSI neutral but ATR at strong level with positive MACD indicates mix of the view and required f4resh break-out for further upmove.

Expected Support & Resistance level

Nickel	S1	S1	R1	R2
MCX	910	885	995	1045

RECOMMENDATION:

Nickel MCX :- Buy above 960 Stop Loss below 920 Targets 995-1020

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BONANZA RESEARCH TEAM

Monthly Outlook by: Mr.Vibhu Ratandhara

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