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Monthly Commodity Report

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Russia and Ukraine conflict: A prevalent hindrance in the roadway of global recovery

The war between Russia and Ukraine triggers an expensive philanthropic crisis that demands a passive determination. Moreover, war contributes to an economic damage thereby slowing down in growth thereby making an addition to inflation globally. Predictors anticipates a fall in global growth rate. In the year 2021 there were estimates of growth which roams around 6.1 percent. Moreover, year 2022 and 2023 lowers down the growth level and estimates are nearly around 3.6 percent.

Moving further prices of fuel and food stuffs are increasing at a rapid pace thereby hitting helpless inhabitants in lower income countries the most.

After 40 years of delivery, Russia has now interrupted the supply of Natural Gas

Russia considers being the second largest producer of natural resources. If we look into the numbers, then Russia produces 638.5 billion (cubic meters). Moreover, gas and oil comes with prominent importance. On Wednesday, dated 27th April, 2022, the prices of natural gas in Europe touches the higher edge. The major reason behind this hike was Russian has now put a sanction against Poland and Bulgaria. Moreover, they halted the supply of natural gas to Poland and Bulgaria. Hence, Russian authorities are now not in a mood of giving up.

Looking into the past, this is the first time when Russia has cut the stream of natural gas to European Countries. European President states that Russia is using gas as their blackmail instrument in order to stop the delivery to European customers. Furthermore, Russia also declares that they will be accepting trades of natural gas only in Rubble. Now, treat Germany as icing on the cake because if an increase in supply cuts then this would trigger the prices and made a new jump at higher levels. Newswires mentioned that Energy Minister of Bulgarian has already made a full payment of its supplies in the month of April and now Russians are breaching the contract.

The news had a contagion effect on both currency & stock market thereby Euro going aggressive and pushing it to another five-year low against dollar.

Global forecasts and Procedures

In the year 2022, we are expecting a sluggish growth which is due to the outcome of Russia and Ukraine war. Moreover, we anticipate a two digit drop in the GDP numbers of Ukraine. Consequently, the major fall in GDP is due to the combat between Ukraine and Russia.

Moreover, we may also experience a deep retrenchment for Russia because of several sanctions and a decisions taken by European countries to scale down the imports of energy. The battle in Ukraine magnifies the economic forces thereby affecting the global recovery from the Covid-19 outbreak.

Moreover, the battle is the prominent reason of increase in the prices of commodity and interruption in the supply thereby adding to inflation index. Therefore, the war itself has added high ambiguity towards the global outlook.

Even more there are several cities which are planning to move on from the past covid-19 infections but this may not be the case now. However, cities are all over again getting impacted with the new variant and causing further disruptions to our economy.
Structurally, our world is facing a threat which may create imbalance to our economy. Hence, imposition of recent sanctions is now cutting the linkage between Russia and other countries. The aim was to build pressure on Russia to end the war but now things have changed and the ball is in Russia's court.

Global recovery set backs

The war between Russia and Ukraine took lives of massive people. Since World War-II, the time which Europe is going through considers to be a biggest refugee crisis which ultimately led to a biggest economical challenge for their country.

Ukraine- Due to war, the Ukrainian economy is damaging day by day. Therefore, a severe contraction in GDP numbers is clearly identified. However, we may anticipate a fall of around 35% for the year 2022. The war should end soon now. Uncountable loss of lives and deterioration of physical capital worsen the situation of their economy. Hence, the country would take several years to overcome from this devastation.

Russia- Due to stiffness in trade & financial sanctions which thereby includes a loss of banking privileges, prohibiting the access of some Russian banks, restraint of oil and gas by huge economies are now impacting the economy of Russia severely. Moreover, the drawing of foreign firms has stumbled numerous industries which includes finance, aviation, agriculture and software. Subsequently, the global outlook looks miserable.

Lack of investor's confidence may have led a substantial dip in consumption and private investment. In the year 2022, we may see a sharp contraction with a fall in GDP around 8.5 percent. Moreover, we may predict a subsequent decline of around 2.3 percent in the year 2023.

Evolving and Developing Europe- Not only Russia and Ukraine, Europe is also facing the contractions in economic health. We are expecting a fall of around 2.9

percent in the year 2022 which thereby grows to another 1.3 percent in the year 2023. Increase in the prices of energy on native demand and commotion of trade considers being the primary

drivers which slows down the growth of an economy. Furthermore, an increase in labor force may enhance the tax revenue.

Progressive Europe- The combat between Russia and Ukraine hits the economy of advanced Europe badly. Due to sanctions on Russia, the prices of energy rises which thereby affects the Euro nation. Since, Russia considers being the largest importer of energy, therefore, for most of European countries an upsurge in global prices signifies higher inflation and lower output.

Moreover, interruptions in supply chain also hinder various industries like automobile industry and many more. As a result, in the year 2022, GDP growth made a fall to 2.8 percent. Germany is a country of Europe and famous for its technological accomplishments. Moreover, considers being the most technologically advanced and crowded country in Europe.

Germany and Italy have larger dependence on energy imports from Russia due to the largest manufacturing sector. However, an increase in the prices of energy slow down an economy thereby hitting the growth of GDP. Stringent financial conditions led to lack of investments. Moreover, the consumption power of citizens weakens due to an increase in inflation.

Asia- Consistent development in China dominates the economic outlook of Asia. Their strategy of controlling the cases of Covid-19 led to repetitive restrictions and frequent lockdowns. Consequently, led to global recovery in urban areas.
China comes up with the second-largest economy in the world. Now, just because of stringent lockdowns consumer expenditure and supply chains are getting badly impacted. Due to threats of lockdown continuity, Chinese specialists and authorities have taken valuable steps to overcome the situation of economic impairment. Moreover, they took worthy steps to boost the infrastructure investment and accelerate the borrowings of the government. Commodity Analysts anticipate that the upcoming policy turns out to be a rescue measure that tends to be a decider path for China's industrial and base metals.

Canada and United States- Looking deeper into the economic relations then among Russia, United States & Canada are limited. There are several other factors which may have an adverse impact in the economy of both the countries. Estimates says that the forecast of United States economy was already demoted in the month of January. Moreover, we experience a downfall of 0.3 percentage for the year 2022.

Due to war and recurring disruptions in the supply chain impacts the economy of Canada and lowers down to 0.2 percentage. So, this is all about the global economic outlook. Now, let's move further and discuss in detail an impact of war crisis on all nine commodities.

Impact on Commodities Globally

Gold- A precious yellow metal which is known to human being and for millions of years we consider gold as a global currency, an investment, a commodity or an article to enhance the beauty.

Here in this article, we will be considering gold as an investment tool. Moreover, financial planners view it as a financial asset which plays a key role in maintaining its value and purchasing power during the period of inflation.

If we converse about the demand of Gold globally then it is centered under four categories. They are as follows:

- Jewelry
- Reserve of Central bank
- Investment Vehicle
- Technology

Aspects which influences the market of Gold

There are numerous factors which influence the gold prices. But here in this report I am going to tell you five major ones.

Demand and Supply- So, this is the most common or known factor which impacts the gold market globally. Moreover, the demand and supply determines the price of gold. For instance, if the demand is more but the supply is less then we may see a sharp rise in the gold prices and vice versa if the situation is contrary. Hence, this is the basic economics which we have already read in many sayings, lectures and videos.

Rate of Interest- Interest rates live an inversely proportional life with gold. Structurally, when there is a dip in gold prices, interest rates tend to rise.

A Verge against inflation- Gold act as a verge against inflation. Henceforth, prices of gold counters to the inflation numbers. Therefore, gold acts as a safety tool for a tumbling economy.

Fluctuations in Currency- The gold prices are impacted due to currency fluctuations. The reason is gold is generally traded in international market i.e. USD but when we convert dollar into rupees then the price differs.

Crisis which occurs due to geopolitical tensions- Situations like war may hamper the economy but in that scenario gold acts like a safe haven commodity and outperforms the several other asset classes.

Technical View

We have seen vertical crash in Gold and Silver in the month of April. Silver crashed more as compare to Gold in terms of percentage. That was a sudden crash because of certain global issues. Gold and Silver chart rallies and has given a fresh breakout on the monthly chart.

Gold and Silver ratio- XAU/XAG

We have seen mind-blowing rally on the monthly chart. We already recommended our subscribers to go long in Gold and Silver ratio above 82.25 levels. Ratio formed a solid bullish candle on the monthly chart which is a sign that Silver will underperform as compare to Gold in near terms.

A decisive close above 83.60 will push Gold/Silver ratio to 85---86 and then to 94.00 levels in days to come. Along with it, ratio is trading above 20 months simple moving average which supported our bullish view in Gold and Silver ratio.

Gold and Silver ratio lovers will have an opportunity to sell Silver and buy Gold equivalently when ratio comes around 82---80 with stop loss below 74.00 on a closing basis for the upside target of 94.00.

XAU/USD- Gold

In the month of April, Gold made a low of $1872.34 and settled around $1897.28. Gold breached its march month low which is not a good sign for Gold. Gold looks weak on the monthly chart and likely to test its support level of $1870 and then to $1820---$1785.

For the month of May, we recommend our subscribers to go short in Gold on the rise around $1923---$1943 with stop loss above $2000 on a closing basis for the downside target of $1820---$1785. Our negative view negates on a weekly close above $2000 for the month of May 2022.

Surely we will grab the opportunity in Gold to buy at lower levels. In our view, buying in Gold around $1820---$1785 could not be a bad idea for traders and investors. Gold 20 months simple moving average is still showing strength on the chart but RSI played role differently. RSI is in negative diversion mode and we expect that this diversion end soon.

Overall trend is positive and investor may hold their position for long term time horizon. Gold is a safe haven commodity to beat inflation and contracting economies.

On MCX division, INR will play key role specially in Gold prices. Gold is having crucial support at 50800. Decisive close below 50800 will push Gold lower to 50300---50000 and then to 48300 levels or else it could test its resistance level of 52600---53000 and then to 53700 levels again. If INR gets weaken due to geo-political tensions, then that will be supportive for Gold prices.

XAG/USD- Silver

Silver too crashed and settled lower at $22.68. Silver crashed unexpectedly and we expect that it will crash more in the month of May 2022. Silver is also trading below 20 months moving average which is not a good sign.

A decisive close below $22.60 will see more downside panic in Silver till $21.75---$21.40---$21.00. Three consecutive closes + weekly close below $21.00 will create havoc in Silver prices. On the downside, we are expecting huge pain till $18.50---$16.00 which could be a tragic pain for investors.

Silver could bounce from lower levels and try to get an opportunity to exit from Silver around $23.60---$24.00. Here, we recommend our subscribers to go short in Silver around $23.60---$24.00 with stop loss above $26.25 for the downside target of $18.50---$16.00 in the next 4 to 6 months' time frame.

On the MCX division, Silver breached all its support and settled around 64351. Silver is having support at 63700. Decisive close below 63700 will create havoc in Silver prices and we expect free fall pain for the next 3---4 months. Our positive view negates on a monthly close above 71500 levels only.

Initially we are expecting downside target of 57500 levels in Silver. Three consecutive closes + weekly close below 57500 will take Silver to 52000---47000 levels in days to come.

Now question arises whether Silver will break $21.00 INR 57500 or not?

On seeing Gold and Silver chart, we recommend our subscribers to go long in Gold and short in silver with favorable ratio on the decline with calculative risk and reward ratio.

Copper

Copper comes third in metal consumption after Steel & Aluminium. Furthermore, their fortunes directly decide the state of economy. Copper is considered as the best non-precious metal and a good conductor of electricity.

Technological, economic and societal features effect the demand and supply of copper. Till date, copper is manufactured in more than 25 countries. Now, just because of global distribution of copper the risk of interruption in supply globally is low.

However, due to high demand in construction & power transmission, any sort of scarcity in supply of copper may hamper the economy of the world.

There are producers, exporters, processors, marketers and SMEs who may control the price risk by doing hedging. Moreover, when we experience a higher level of uncertainty in the prices of copper modern risk management methods and strategies in the form of Copper Futures which is introduced on MCX platform can expand the efficiency and consolidate effectiveness thereby managing the price risk.

Factors which influence the metal market

There are several factors which influence the market of copper. They are as follows: Prices of Copper in India reflects the international spot market and USD-INR rates in exchange.

Trade policies set by the government impact the supply of copper due to certain regulations which relates to flow of material. Specific events like pending home sales, housing stats, and many sort of economic data run the prices of copper. Any natural calamity, interruption in supply may also become the decider path in taking price action of copper.

Technical view

Copper too created panic and settled lower in the month of April. Copper formed a large red candle on the monthly chart along with it RSI is to showing negativity on the charts.

On the comex division, Copper looks weak below $4.33 for the downside target of $4.03---$3.83 levels in days to come. Here we recommend our subscribers to sell Copper on the rise around $4.45---$4.52 with stop loss above $4.85 for the downside target of $4.03---$3.83.

On the MCX division, Copper has support at 780. Decisive close below 780 for two consecutive days will take Copper to 750---725 and then to 690 levels in days to come. Our negative view gets negate on a close above 845 levels only.

Above levels we are taking as an initial step towards 20 days simple moving average and current support. Further downside panic we will expect on a monthly close below the final target in Copper prices.

So here we recommend our subscribers that don't jump to buy Copper at higher levels until and unless any major fundamental issues changed from developed economies.

Crude Oil

Both stock and commodity market is becoming highly volatile in nature. However, persistence of this explosive nature of the fickle market is experienced. As a result, we may see continuity until the battle between Russia and Ukraine diminishes.

Considering the past week, crude oil made a fall nearly around 5 percent which may extended to nearly around 5 percent more on Monday. The primary parameter of this sudden fall was the fear to meet a demand.

USD is making a history of highs which thereby assures an increase in crude oil prices. Coming to the end of the week, crude oil made a quick recovery in the last 4 days thereby increasing nearly around 10 percent.

Technical View

In the month of April, we have seen positive momentum in Crude oil prices. Crude oil prices settled around 104.11 which is a good sign. On seeing geo-political tensions, Gold and Crude oil prices likely to have supportive commodities in short terms.

Crude oil has resistance at $110 while support at $90.00. We expect Crude oil to trade in a range for time being. Fresh buying in Crude oil we will do on a weekly close above $110.00. Three consecutive closes + weekly close above $110.00 will take Crude oil to $125---$128 and then to $145 in days to come.

Crude oil could correct if it closes below $90.00. A weekly close below $90.00 will release global short term tension till $72---$65 in the next 4 to 6 months' time frame.

On the MCX division, Crude oil has support at 7000 and resistance at 8500. A weekly close above 8500 will take Crude oil prices $9500---$9900 and then to 10800 levels in days to come or else it could test its support level of 7700---7000 again.

Further downside panic we will expect on a weekly close below 7000 levels for the downside target of 5800---5300 levels in the next 4---6 months.

Here we expect Crude oil to trade in a range for time being. On seeing global tension and volatility we recommend our subscribers to trade or hedge your position by writing options in the contract. Option premiums are high because of volatility.

Dollar Index & INR

We have seen sharp upside rally in Dollar Index. Dollar index is settled near to its resistance level of 104.00. Dollar index is forming triple top pattern on the monthly chart.

Now question is that it will break triple top resistance or crashed vertically again? Three consecutive closes + weekly close above 104.00 will see further upside rally in Dollar Index till 110---112.50 ad then to 121 levels in days to come or else it will trade in a range till 90---104 for the next 6 months.

Decisive close below 101 will take dollar index to 98---97.50 levels. Dollar index has crucial support of 90.00. Dollar index turns weak only and only weekly close below 90.00 levels which is unlikely to breach in near terms unless and until any major bad news comes from global economies.

USDINR

On the monthly chart, INR looks scary and keep commodity prices stable. So we have great impact of INR against USD. USDINR is trading at the top and having resistance at 77.20 while support at 74.00.

A decisive close above 77.25 will take USDINR to 80---81 levels in days to come which is not good for Indian consumers and Indian economy. Our view gets negate on the monthly close below 74.00 levels only.

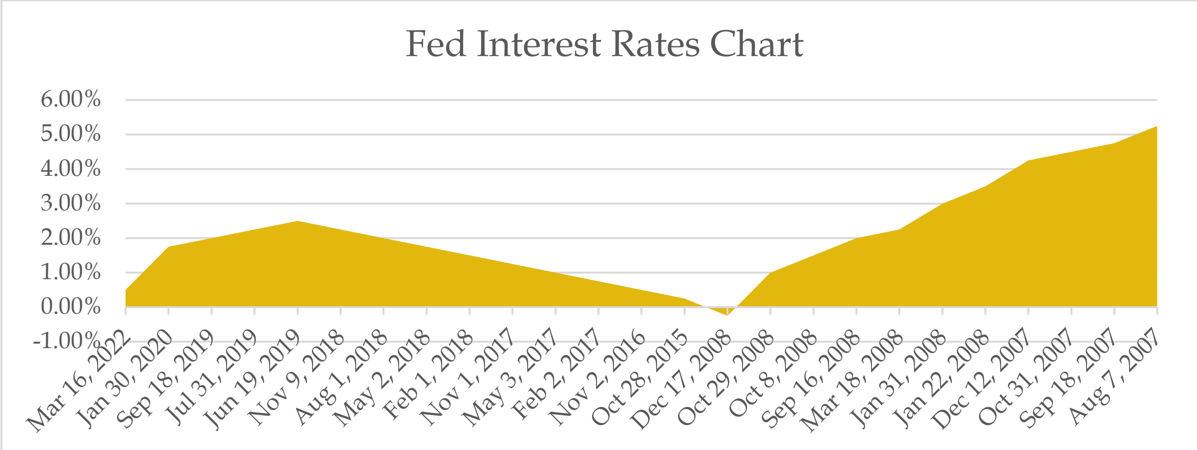
Here, we recommend our subscribers to go long in USDINR around 76.20---75.80 with stop loss below 74.00 on a closing basis for the upside target of 81.00---82.00 levels in the next 4---6 months.

Initial 15 Days Major Economic Data and Event.

Date	Currency	Time	Events	Previous	Forecast
02-05-2022	USD	7:30 PM	ISM Mnaufacturing PMI	57.1	57.5
03-05-2022	USD	7:30 PM	Jolts Job Openings	11.27m	11.19m
04-05-2022	EUR	12:30 PM	Spanish Unemployment Claim	-2.9	-
04-05-2022	USD	5:45 PM	ADP Non-Farm Employment change	455k	400k
04-05-2022	USD	7:30 PM	ISM Services PMI	58.3	58.5
04-05-2022	USD	11:30 PM	FOMC Statement	-	-
05-05-2022	GBP	4:30 PM	Monetary policy	-	-
05-05-2022	USD	6:00 PM	Unemployment Claim	180k	180k
06-05-2022	USD	6:00 PM	Non-Farm Employment Change	431k	390k
11-05-2022	All	All day	OPEC Meeting	-	-
14-05-2022	USD	-	Treasury Currency Report	-	-

Wrap up

Our valuable traders, 4th of May 2022 tends to be a decider day for commodity market. Our complete focus is on US Fed Meet. Furthermore, they are planning to increase the rate of interest nearly to 0.50 BPS. If this hike take place, then this would hamper the commodity sector. Precisely, we anticipate a downward pressure on commodities in the coming week.



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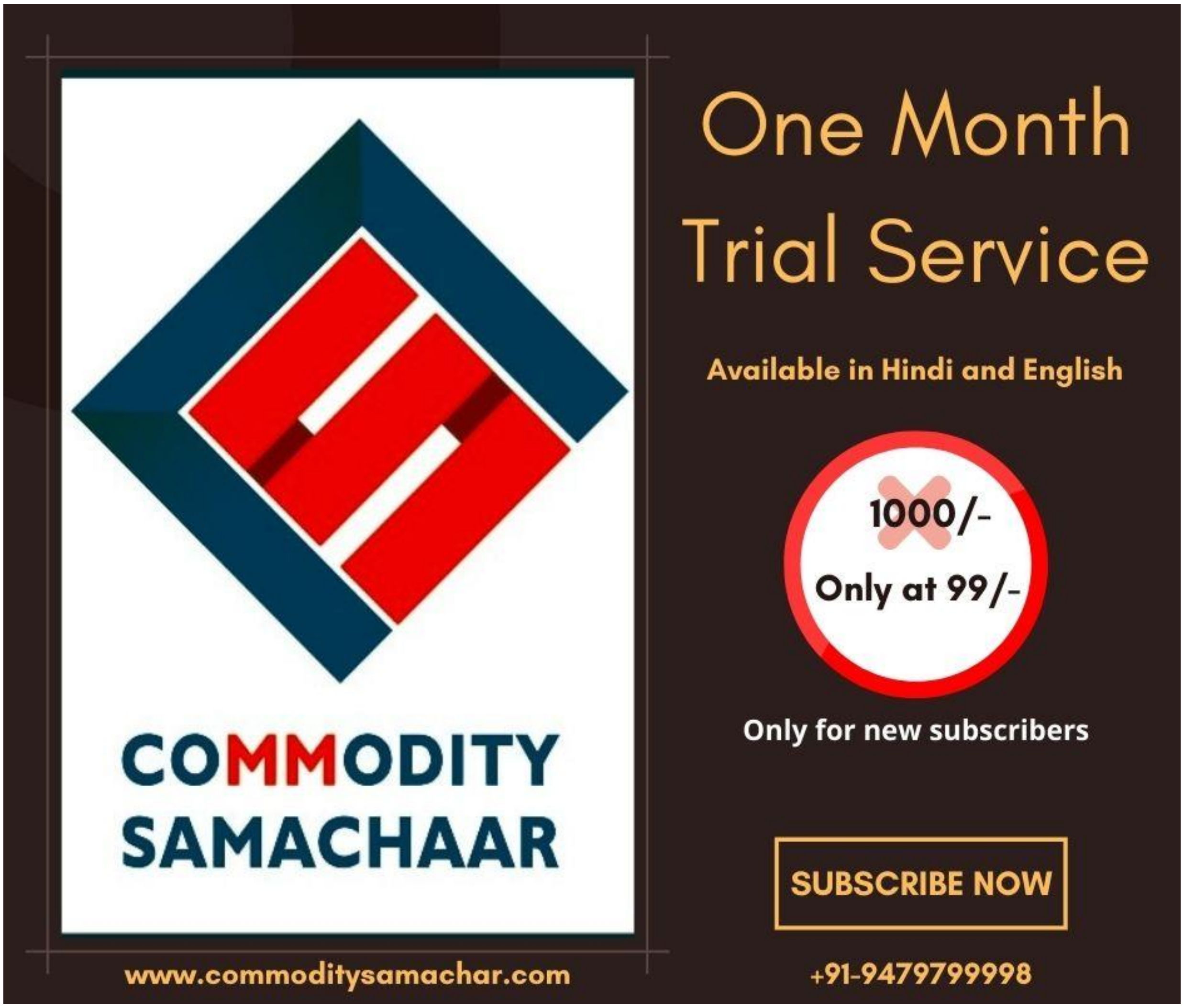

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