Bullions to trade firm

Bullions: To trade firm

The financial markets were not short of market moving news during the week. With most of the hype created around the FOMC meeting that ended in a market neutral stance, the slew of central banks policy announcement this week should keep the market on the run.

Window dressing at the month-end and the quarter-end and before a US market holiday on Monday and Tuesday also stoked the rally in gold, as a weaker dollar made the precious metal more attractive to investors, especially when crude oil is inching towards the $74 per barrel mark. Although RBA and BOE are likely to leave the interest rates unchanged, the ECB's move would be keenly watched as any renewed strength in the euro would mean renewed buying interest in the bullions.

Japan is going to dictate the trend this week as Bank of Japan will release its June Tanken survey today, following which we have RBA meet to set the rates on Tuesday and BOE would begin its two-day meeting for policy decisions on interest rates later on Wednesday. The ECB's governing council meets on Thursday to set its interest rates, and the financial markets would be impacted this week.

Bank of Japan's Tankan survey released today showed the nation's 2,375 biggest companies plan to increase spending by 11.6% this year. The confidence index for large manufacturers rose to 21 in the June quarter from 20 in the previous quarter, the central bank said. In Germany, business confidence unexpectedly jumped to a 15-year high in June, the economic research institute said last week, strengthening the case for the ECB to raise rates. With the possibilities of both Japan and the European Union raising interest rates in July, the dollar is likely to come under pressure against the yen and the euro, which should lift the yellow metal.

China's National Foreign Exchange Center has set the central parity rate for the yuan at 7.9924 to the US dollar, the Chinese currency's highest level since China's yuan revaluation on July 21, 2005. Inevitably, the dollar is coming under pressure from all sides and gold is likely to trade firm during the week.

Crude oil: To move higher

US crude oil futures rose Friday morning on the back of the strong gasoline demand at the pumps ahead of the Independence Day holiday weekend. The rally following lower inventories and the increased demand is likely to continue this week.

Travel and automobile group AAA projected car travel would be up 1.3% during the biggest vacation travel weekend of the summer, with 34.3 million motorists filling the highways. That's the bulk of some 40.7 million Americans who will travel 50 miles or more this weekend, a 1.2% increase from last year.

On the news front, it now seems Iran is not likely to respond by the July 5 deadline given regarding its nuclear programme. Further in Norway, a strike in the oil field services sector is estimated to be costing 37,000 barrels of oil equivalent per day in lost or delayed oil and gas production, the oil industry association said Friday.

It now seems that the peak fundamental season coupled with supply concerns would take the prices higher. Expect the oil price curve to skew upwards as any delay in Iran’s response would mean an increase in the oil prices, at least for now when the entire commodity pack is supporting it.