

## Gold trades higher on safe haven demand over poor global growth in 2019

- International spot gold prices bounced above 1285 continued its four month bullish move in Jan '19 as well over safe haven demand.
- Ongoing US-China tariff talk and Brexit vote in the week of January 14<sup>th</sup> will give fresh direction to the precious metal apart from US trade balance and non-farm payroll data, which will be released in coming weeks.
- Physical demand from retails buyers in India is not picking up as prices are near two year high, Christmas and New Year holiday to be blamed for apart from absence of significant wedding date till mid of January. Domestic prices are mostly up following the global market.
- Brexit Vote – A vote on controversial Brexit deal will take place in the week starting January 14, 2019. The UK voted to leave the EU in a referendum in June 2016 and the formal exit from the economic bloc on Brexit Day – March 29, 2019 – requires a deal cleared by its Parliament. However, without the Parliament's backing for the current deal, there are growing fears of a so-called no-deal Brexit.

### Outlook

- Spot gold may remain firm as global market open after New Year holiday; bias is expected to remain positive with strong support near \$1265. We expect further positive move on a break above 1283 this week, towards next level of resistance around \$1299-1310

## Crude Oil drops further on poor China economic data and US oil production

- Oil prices fell on expectations of oversupply amid surging U.S. production and concerns about a global economic slowdown.
- Economic slowdown –
  - China's factory activity showed signs of contraction for first time in 19 months in December.
  - The purchasing managers' index of the National Bureau of Statistics and an industry group, the China Federation of Logistics & Purchasing, fell to 49.4 from November's 50.0 on a 100-point scale on which numbers below 50 show contracting activity.
  - The outlook for 2019 is riddled with uncertainty, including U.S.-China trade concerns and Brexit, as well as political instability and conflict in the Middle East.
- Oil Production –
  - On the production side, all eyes will be on the ongoing surge in U.S. output and on OPEC's and Russia's supply discipline.
  - U.S. crude output was last reported at a record 11.7 million bpd in late December 2018, making America the world's biggest oil producer ahead of Russia and Saudi Arabia.
- Canada rig count drops - Canada's drilling rig count fell by 61 rigs in the last week of December from a week earlier, with the annual decline at 66 rigs, per the latest weekly rig count report by Baker Hughes. Over the last two weeks active drilling rigs deployed in Canada fell by a combined 104 to just 70, highlighting obligatory production cuts enforced by the Albertan government to arrest the slide in prices. The production cut will begin at a rate of 325,000 bpd, to be reduced to 95,000 bpd once the excess supply is cleared.
- Inventory Report - API weekly inventory report will be released on early Friday morning at 3AM IST, while weekly DOE inventory report will be released at 9.30PM IST on Friday.

### Outlook

- Brent oil formed short term bottom near \$50 a barrel, further move can be seen above \$55.40 a towards next level of resistance of \$58.20-62. US Crude oil inventory report and US and Canada rig count to give further clue of next move

## Steel future trading weak on first trading day of 2019 over economic growth concerns

- China's weakening domestic demand and worries over global growth and Sino-U.S. trade relations.
- Macro news of Chinese economy continues to come in on the weaker side which is undoubtedly weighing on both ferrous and nonferrous valuations.
- Inventory - The trend of Chinese social inventory is of accumulation and mill inventory has also been rising on low expectation for demand in market.
- It is expected that Chinese domestic steel market will show a strong supply and weak demand pattern in 2019.
- Trade war with the United States would bring both "opportunities and challenges"

### Outlook

- US-China trade talk is in focus, outlook for SHFE Steel Rebar future contract remains weak as counter is facing stiff resistance around 3534-3557 range while important support level is seen near 3460-3442.

## Indian Rupee strengthened to five month high over Crude Decline

- Increased selling of the dollar by exporters and banks supported the rupee. Crude decline is the key reason behind this smart recovery in last 45 days.
- Crude Decline - Oil markets dropped by around 1 percent in 2019's first trading on Wednesday, pulled down by surging U.S. output and concerns about an economic slowdown in 2019 as factory activity in China, the world's biggest oil importer, contracted.
- FIIs and DIIs Data - Foreign funds (FII's) sold shares worth Rs. 48.2 crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs 142.58 crore on January 1st. In December 2018, FIIs net sold shares worth Rs. 1103.3 crore, while DII's were net buyers to the tune of Rs. 375.55 crore.

### Outlook

- Immediate trend seems positive for rupee, short to medium term trend in the US dollar, oil price and ensuing general elections will determine the direction for Indian rupee. USD-INR pair may face stiff resistance around 70.50 while immediate support is seen near 69.20-68.50

## Copper continues to trade weak over China economic growth data

- Concern over growth in China pushed metals prices lower, China's factory activity showed signs of contraction for first time in 19 months in December. China is the world's biggest consumer of industrial metals.
- US-china trade talk - talks between China and the United States set to begin this week in Beijing, president Trump has repeatedly told his advisers to cut a big deal with Chinese premier.
- COPPER PRODUCTION - Chile's copper production touched 540,720 tonnes in November, its highest level in 13 years, as ore grades and efficient processing favored increased output in the world's top producer of the red metal, the government said on Monday.
- Inventory Report - LME Copper warehouse stock increased by 2450 mt in last one week to 132175mt, with net change of -56percent in last six months. SHFE Copper warehouse stock increased by 7984mt in last one week to 118686mt, with net change of -56percent in last six months. Comex Copper warehouse stock decreased by 2283mt in last one week to 110086mt, with net change of -51percent in last six months.

### Outlook

- LME Copper 3M future contract is looking weak over poor Chinese economic data, a break below 5930 towards next level of support at 5780 and 5670 while stiff resistance is seen near 6140. Ongoing US-China tariff talk is the key event to watch out for.

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