

Gold found support from softer dollar, G-20 US China deal

- U.S. President Donald Trump and his Chinese counterpart Xi Jinping agreed not to introduce any new tariffs for the next 90 days.
- During this time, the two countries will work together to resolve wider structural problems in trade relationship
- U.S. will not increase the existing 10% tariffs on \$200 billion worth of Chinese goods to 25%
- Trump said China has agreed to “reduce and remove” tariffs on American cars from the current bracket of 40 percent.
- U.S. exports of cars and light trucks to China were worth \$9.5 billion in 2017 and have declined significantly since China imposed its retaliatory tariffs that gave exporters in Europe and Japan a significant advantage.
- Brexit vote on December 11th – The government is due to publish its economic analysis on the long-term effects of Brexit on the UK. MPs are due to vote on May’s Brexit deal, which she insists is the only option, on 11 December.
- Fed Meeting on December 19th - Minutes from FOMC November meeting indicate that another interest rate hike is warranted. However, Fed officials also kept the debate open on when the U.S. central bank might pause its monetary tightening and how it would relay those plans to the public, next meeting is on December 18th and 19th. Gold traders are closely watching Fed to decide next course of action.

Outlook

- Gold bounced from recent low after meeting between US and China during G-20 summit, the precious metal is facing Stiff resistance near \$1238 while important support is at \$1195; we may see further consolidation in the \$1195-\$1238 region with negative bias due to Fed meeting.

Brent Oil bounced on talk of US-China tariff and OPEC Supply cut

- Oil prices bounced more than 5% after the United States and China agreed to a 90-day truce in their trade war, and ahead of a meeting this week by producer club OPEC that is expected to result in a supply cut.
- US Oil Supply Cut - Canada that Alberta province will force producers to cut output by 8.7 percent, or 325,000 barrels per day (bpd), Most of Alberta's oil is exported to the United States.
- Morgan Stanley saw US-China trade talk as positive with “slight upside in 2019 growth outlook”
- Oil prices climbed ahead of OPEC meeting in Austria on December 6th. Member nations are contemplating some form of supply cut to counter an emerging glut and softer prices. Saudi Arabia is pushing for an output cut of 1 million to 1.4 million barrels per day (bpd) to avoid oversupply. Meeting is expected to reach a decision for the next six months.
- Russia being a significant exporter of crude also has its interests in reducing production along with OPEC Policy meeting to be held in Vienna on December 6th & 7th
- Saudi, US and Russia Oil production - Saudi Arabia raised oil production to an all-time high in November and pumped around 11.1-11.3 million barrels per day. Russian oil output stood at 11.37 million bpd in November, down from a post-Soviet record of 11.41 million bpd it reached in October, Energy Ministry data showed on Sunday. Oil producers in the United States continue to churn out record amounts of oil, with crude output at an unprecedented level of more than 11.5 million bpd. U.S. oil production set to rise further in 2019.

Outlook

- Brent oil may consolidate in the broader range of \$57.50-\$64.40 in the short term, OPEC meeting in focus. Global economic growth looking slightly positive after US-China tariff talk while OPEC oil production cut may boost prices from current levels.

LME Copper Jumps after US and China discuss key tariff issue during G-20 summit

- China and the United States agreed to halt an additional tariff in a deal that keeps their trade war from escalating as the two sides try again to bridge their differences with fresh talks aimed at reaching an agreement within 90 days.
- LME warehouse inventory dropped by 75 mt on Friday to 136175 mt, weekly decline remains at 3375 mt. SHFE warehouse inventory remains at 131042mt with weekly drop of 2121 mt.
- Chile's state copper miner Codelco, the world's No. 1 copper producer, said on Saturday it had reached agreement on a new collective labour contract with the union of workers at its Ministro Hales mine in northern Chile
- China PMI Data : The official Purchasing Managers' Index fell to 50.0 in November from 50.2 in October against market expectation of 50.20

Outlook

- Positive tariff talk between US and China pushed counter above \$6300 per ton now next level of important level of resistance is seen around \$6402 per ton, fresh breakout above this level may push counters towards \$6454-6573 per ton. Important support level remains near 6164 per ton.

Recovery in Oil prices and buying from importer pushing Rupee down

- US and Brent crude oil futures jumped after the United States and China came to an agreement on Saturday on trade issues that would put off new tariffs.
- The RBI's Monetary Policy Committee will detail its next policy statement on Dec 5. We expect RBI to keep repo rate unchanged at 6.5% and policy stance at 'calibrated tightening'
- On Friday, data showed India's economy grew 7.1 per cent in Q2 compared to growth of 8.2 per cent in the previous quarter.
- Foreign investors pumped Rs 12,260 crore into the domestic capital markets last month, making it the highest inflow in 10 months due to falling crude oil prices and sharp rupee appreciation.
- HSBC has upgraded Indian equities to 'neutral' from 'underweight' in the regional context, as investor holdings are very low and valuations are relatively reasonable.

Outlook

- Recovery in Indian rupee continues as Brent Oil hovers near \$60 per barrel this week, focus now shifts towards G-20, OPEC and RBI meetings. USDINR may drop to 200 Day moving average at 68.76 below 71.10 in near term.

China Steel prices bounced on US-China tariff talk

- Steel product prices bounced on positive outcome of US-China tariff talk, U.S. President Donald Trump and his Chinese counterpart Xi Jinping agreed to not introduce any new tariffs for 90 days. U.S. will not increase the existing 10% tariffs on \$200 billion worth of Chinese goods to 25%, China has agreed to "reduce and remove" tariffs on American cars from 40 percent currently.
- Winter Pollution - A total of 79 Chinese cities have triggered air pollution alerts as severe winter smog covers wide swaths of the country, the official Xinhua news agency reported on Saturday.
- We expect this rally to be temporary as steel market is well supplied and demand for manufacturing steel not rising due to winter season. China has not announced any stimulus to boost demand.
- Steel inventory-Rebar weekly inventory increased by 0.58% and while HRC inventory dropped nearly 2% last weeks, data compiled and reported by a third party website.

Outlook

- Steel Rebar contract on SHFE found some relief rally after a sharp decline in recent months on tariff talk between US and China, this rally will be short lived as market still expects a stimulus to boost demand. Huge inventory buildup and low demand may push prices back to recent low in near term unless some economic stimulus is announced. Counter may face stiff resistance around 3687-3755.

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