

Crude Oil drops after volatile currency move and sell off in Asian equities

- Oil prices fell on Thursday amid volatile currency and stock markets and as analysts warned of an economic slowdown for 2019 just as crude supply is rising globally. The slowdown in China and turmoil in stock and currency markets is making investors nervous, including oil markets.
- Saudi Arabia is expected to cut February prices for heavier crude grades sold to Asia due to weaker fuel oil margins, respondents to a Reuters survey said on Thursday.
- 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. Supply from Iraq is also up, with December exports at 3.73 million bpd, up from 3.37 million bpd in November.
 - 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 towards next level of resistance near \$58.20-62. US Crude oil inventory report and US and Canada rig count to give further clue of next move

Copper remains negative, US-China talks this week may give further direction

- 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 deal with Chinese premier.
- Chile 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 for week ending December 27th- 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.

Gold rose further as Asian equities continue to drop further

- International spot gold prices bounced above 1290 continued its four month bullish move in Jan '19 as well over safe haven demand. Asian equities continued its bearish move for the second day.
- US political tussle- A meeting between U.S. congressional leaders and President Donald Trump on Wednesday yielded no sign of an agreement to end a partial government shutdown, now in its 12th day, as the president stuck to his demand for \$5 billion in funding for a border wall.
- SPDR Gold Trust, the world's largest gold-backed exchange-traded fund, said its holdings rose 0.97 percent to 795.31 tonnes on Wednesday from 787.67 tonnes on Tuesday
- Ongoing US-China tariff talk and Brexit vote in the week of January 14th 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.
- 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 over political tussle in US Government shutdown. 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

Steel future bounced marginally but bias is still negative

- China's weakening domestic demand and worries over global growth and Sino-U.S. trade relations.
- China's economic growth could fall below 6.5 percent in the fourth quarter as companies face increased difficulties as per Chinese national bank report.
- 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 lost the ground after Equity sell off and poor GTS collection number

- The Indian rupee lost nearly 75 paise, its first loss in last four sessions amid heavy selling in domestic equities and marginal recovery into Crude oil prices.
- GST Collection - GST collection dropped to ₹94,726 crore in December 2018, lower than ₹97,637 crore collected in the previous month. The total number of sales returns or GSTR-3B filed till 30 December 2018, is 72.44 lakh, the finance ministry said in a statement.
- Oil prices fell on Thursday amid volatile currency and stock markets, and as analysts warned of an economic slowdown for 2019 just as crude supply is rising globally. The slowdown in China and turmoil in stock and currency markets is making investors nervous, including in oil markets.
- FIIs and DIIs Data - Foreign funds (FII's) sold shares worth Rs. 621.06 crore, while Domestic Institutional Investors (DII's) sold shares to the tune of Rs 226.2 crore on January 2nd. 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

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