

Crude oil up on hope for a positive talk between US-China on January 7th & 8th

- US-China talk on January 7th & 8th raised the hope for a positive outcome of ongoing tax tussle and lift oil prices from recent decline. Crude prices had previously fallen after the United States followed most other major economies into a manufacturing downturn.
- API Inventory Report - U.S. crude supplies fell by 4.5 million barrels for the week ended Dec. 28, gasoline stockpiles climbed by 8 million barrels, while distillate inventories rose by 4 million barrels
- EIA Report today - Expect the EIA to report a fall of 1.3 million barrels in crude supplies, forecast supply increases of 1.6 million barrel each for gasoline and distillates.
- OPEC Cut - Supply cuts announced late last year by the Organization of the Petroleum Exporting Countries (OPEC) start to kick in. OPEC oil supply fell by 460,000 barrels per day (bpd) between November and December, to 32.68 million bpd. OPEC, Russia and other non-members - an alliance known as OPEC+ - agreed last December to reduce supply by 1.2 million bpd in 2019 versus October 2018 levels. OPEC's share of that cut is 800,000 bpd.
- Saudi Arabia is expected to cut February prices for heavier crude grades sold to Asia due to weaker fuel oil margins, respondents to a Reuter's survey said on Thursday.
- 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, as 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.

Outlook

- Brent oil formed short term bottom near \$50 a barrel, further move is seen above \$55.40 towards next level of resistance near \$58.20-62. Further bullishness is seen over OPEC production cut and drops in US Crude inventory other than drop in Canada rig count.

Copper recovers marginally after biggest weekly decline in two month, US-China talks in focus

- US ISM manufacturing data - Data for December -from the Institute for Supply Management (ISM) on Thursday showed the broadest U.S. slowdown in growth for more than a decade, as the trade conflict with China, falling equity prices and increasing uncertainty started to take a toll on the world's biggest economy. Leading economies in Asia and Europe have already reported a fall in manufacturing activity.
- Concern over growth in China pushed metal 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. China's economic growth could fall below 6.5 percent in the fourth quarter as companies face increased difficulties, a central bank magazine said on Wednesday.
- US-china trade talk on January 7th-8th - 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.

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.

Indian Rupee recovered marginally as Equity bounced initially

- The rupee appreciated 34 paise to 69.86 against the US dollar in opening trade Friday amid weakening American currency and positive opening of the domestic equity market. US dollar lost some ground against major currencies overseas, while on the domestic front, the equity market staged a recovery and propped up the rupee.
- On Thursday, the rupee weakened for the second straight session and fell 2 paise to 70.20 against the dollar. Traders however said that significant foreign fund outflows and rising crude oil prices weighed on the domestic currency and capped the up move.

- Oil prices rebound after an early slide, helped by dollar weakness and signs of output cuts by Saudi Arabia. Thursday's swing in the oil price mirrors volatility in other markets after tech giant Apple cut its sales forecast, citing a slowdown in China.
- FIIs and DIIs Data - Foreign funds (FII's) sold shares worth Rs. 972.81 crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs 34.52 crore on January 3rd. In January 2019, FIIs net sold shares worth Rs. 1642.06 crore, while DII's were net sellers to the tune of Rs. 1499.4 crore.
- GST Collection - GST collection dropped to ₹94,726 crore in December 2018, lower than ₹97,637 crore collected in the previous month.

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

Gold remains higher as dollar decline, focus on monthly NFP data and Powell conference

- Gold prices rose over sharp drop in dollar index and equity. The U.S. dollar index dropped as the yen jumped up on safe haven buying that sent treasuries higher and sent the US equities over 2% lower on additional fears about slowing economic growth.
- Monthly NFP Data - U.S. jobs report for December is the key event to watch out for, Monthly nonfarm payroll data is expected to show 178,000 jobs were created, up from 155,000 in November. Wages are expected to have grown by about 3% year on year, while the unemployment rate is expected to have held steady at 3.7%.
- Powell Conference - Fed Chairman Jerome Powell will sit with former fed chiefs Janet Yellen and Ben Bernanke to discuss the economy at a conference on Friday. Powell's comments could change the tone of the market very quickly. The Fed chairman jolted markets after his last post-meeting briefing in December when he said the central bank's balance sheet roll-off was on "autopilot," surprising those who expected more flexibility from the Fed, given worsening financial conditions and recession fears.
- Ongoing US-China tariff talk on January 7th – 8th 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.

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 - Due to the weakening demand, both social inventory and steel mill inventory showed a cumulative trend. At present, the market supply and demand for steel is weak. The spot market price is mostly affected by the financial market. It is expected that the short-term market price will be weak along with the market.

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.

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Contact Details

Abans Broking Services (P) Limited

36, 37, 38A, 3rd Floor, 227 Nariman Bhavan,
Backbay Reclamation, Nariman Point,
Mumbai - 400 021
Phone +91-22-61790000 Fax +91-22-61790010
Email: info@abans.co.in Website : www.abans.co.in

Social Media



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Prepared By:

Mr. Kamlesh Jogi, Market Research Analyst

E-mail: kamlesh.jogi@abans.co.in

Phone: +91-22-61790000 Extn : 276

Communication Address: 36, 37, 38A, 3rd Floor, 227 Nariman Bhavan,
Backbay Reclamation, Nariman Point,
Mumbai - 400 021

Membership Details:

MCX Member ID: 40385 / SEBI Reg. No. INZ000032733;

NCDEX: Member ID F00681 / SEBI Reg. No. INZ000032733

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