

India rupee weakens after RBI meeting over disappointing growth number

- Indian rupee dropped along with Indian equities after RBI meeting , focus is now on OPEC meeting and oil prices movements.
- RBI monetary policy committee has kept the interest rates unchanged at 6.5% as per our expectation and has also maintained “calibrated tightening” stance. Meanwhile RBI start to cut the SLR by 0.25 bps from January-March, every quarter till it reaches to 18% from 19.5%
- SLR cut is likely to boost lending capacity of banks and will enhance liquidity.
- RBI projected GDP to be at 7.4% and 7.5% for FY19 and F20 respectively. Meanwhile positive news comes from inflation forecast as RBI projected inflation to be under control, it estimates inflation to be around 2.7-3.2% from its earlier expectations of 3.9-4.5% for the second half of the FY19. RBI expects inflation to rise in first half of FY20 to 3.8-4.2%
- We analyze RBI stance as ‘Dovish’, growth forecast have been lowered, equity markets reactions to the policy was in tandem and we expect further losses in the Indian Rupee in coming weeks from current levels.

Outlook

- USD-INR pair is forming short term bottom near 69.78 and if it sustains above 71.20, it may see a further move towards 50 days moving average near 72.68.

Gold slips on remark from Federal President but recovered later on dollar and equity sell off

- Gold prices railed as dollar declined from its recent high after US-China meeting at G-20 summit. Markets continue to eye non-farm payroll data this week and fed meeting on December 18th and 19th.
- U.S. Federal Reserve President John Williams remarked in favor of interest rate hike in contradiction to Fed chairman Jerome Powell. Fed president said that the central bank should expect to continue raising interest rates “over the next year or so”
- Fed Meeting on December 19th - Minutes from FOMC November meeting indicate that another interest rate hike is warranted. However, Fed officials are keeping 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 scheduled for December 18th and 19th. Gold traders are closely watching the Fed to decide their next course of action.
- Equity Sell off – US and Asian equity markets fell sharply after the arrest of the CFO of Chinese telecom gear giant Huawei. Canada's arrest, at the behest of the U.S., enraged China and it could retaliate by detaining American executives, some speculate.
- US Jobs report on Friday - consensus forecast for jobs growth of 200,000, after adding 250,000 positions in October, and unemployment rate is seen 3.7%.
- US arms control treaty – U.S. delivered Russia a 60-day ultimatum to come clean on violation of an arms control treaty that keeps missiles out of Europe.
- 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.

Outlook

- Weakness in dollar index is pushing gold higher, fresh outlook after monthly nonfarm payroll data this weeks and fed meeting on 1st December 19th. Meanwhile a technical breakout above 1238 may push the precious metal towards next level of resistance around 1252 and 1266 while above 1221.

OPEC meeting today in Vienna to discuss oil production strategy for next six months

- Oil prices dropped on sell off in equities across the globe and API inventory report, focus is now on OPEC meeting. Market expects OPEC to implement a production Cut on December 6th meeting at Vienna.
- Inventory Report -
 - (API) reported a crude oil inventory build of 5.36 million barrels for the week ending November 30, compared to analyst expectations of a draw in crude oil inventories of 2.267 million barrels. Inventories in the Cushing, Oklahoma facility this week climbed by 1.44 million barrels. The API reported a build in gasoline inventories for the week ending November 30 of 3.61 million barrels.
 - US crude oil production as estimated by the Energy Information Administration was also bearish in nature, showing that production for the week ending November 23 stood at 11.7 million bpd for a third week in a row.
 - Distillate inventories were up this week by 4.32 million barrels, compared to an expected build of 1.60 million barrels.
 - DOE weekly inventory report on will be released on Thursday
- OPEC Highlight -
 - Saudi Arabia proposed a production cut of 1 million to 1.4 million barrels per day (bpd).
 - Russian President Vladimir Putin and the kingdom's leader Prince Mohammad bin Salman agreed to manage the market at the G20 summit last week.
 - Goldman Sach Report - OPEC and Russia need a cut of 1.3 million bpd to manage over supplied market
 - OPEC members will also discuss Qatar issue as it plans to leave OPEC in January according to the statements from its Energy Minister Saad Sherida al-Kaabi. Qatar produces 600000 bpd out of total 27 million bpd which is nearly 2% of total OPEC production.
- US Oil Supply Cut - Canada's Unprecedented Oil Cut Plan Boosts Crude. According to sources Canada's 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.
- Oil output from the world's biggest producers - OPEC, Russia and the United States - has increased by a 3.3 million bpd since the end of 2017, to 56.38 million bpd, meeting almost 60 percent of global consumption.
- US and China trade tensions mounted again after Canada's arrest of Chinese company CFO at the behest of the U.S

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 drops further as US-China conflict resurface

- 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 to bridge their differences with fresh talks aimed at reaching an agreement within 90 days. But there has not been any written agreement so far which creates doubt on talks being successful. US and China trade tension resurfaced after G-20 as Canada arrested Chinese company CFO on behalf of US.
- LME warehouse inventory dropped by 1975 mt on Friday to 128200mt, 5-days decline remains at 9125mt.
- Premium for imports of copper into China dropped to 18 months low over demand slowdown.
- Asian equity markets remained negative as doubts over success of US-China trade war and trade tension resurfaced.

Outlook

- LME Copper 3M contract drops further on US-China tension, trade war may further escalate and might be negative for copper demand. Counter is finding minor support near 6141 on break below this level a sharp decline is possible towards 6024-5968 in near term.

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