

## Crude oil stabilize in range as trade talks and OPEC production cut remains supportive

- US-China trade talk – U.S. Commerce Secretary Wilbur Ross said that Beijing and Washington could reach a trade deal that "we can live with" as dozens of officials from China and the United States held talks in a bid to end a trade spat. Any positive outcome may support crude oil prices from here.
- API inventory report will be released today and DOE report will be released tomorrow, will give further direction to crude oil prices this week.
- Moody's Investor Service in its annual report noted that the recent announcement that OPEC and Russia would cut production helps alleviate concerns about oversupply. The question, however, is whether both parties would maintain their production discipline and what might happen in June when the current agreement expires. US shale production will continue to grow, increasing global production and keeping a lid on prices.
- OPEC Cut - Supply cuts announced late last year by the 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 on last December to reduce supply by 1.2 million bpd in 2019 versus October 2018 levels, OPEC's share of cut is 800,000 bpd.
- US-Canada Oil rig count - The active rig count in Western Canada surged last week after falling below 100 during the holiday period. On Thursday afternoon, 165 rigs were active and 424 down, for a total active rate of 28 percent. US rig count drop by 8 to 877 last week.

### Outlook

- Brent oil formed a short-term bottom near \$50 a barrel, a further move is seen above \$55.40 towards the next level of resistance near \$58.20-62. Further bullishness is seen over OPEC's production cut and a decline in US Crude inventory. US-Canada rig count data is closely watched along with weekly inventory levels for further clues.

## Gold remains firm, a pause to fed interest rate hike cycle supporting precious metal

- Gold remains firm as bets on a pause in U.S. interest rate hikes and hopes of a China-US trade deal put pressure on the dollar.
- Pause to Fed rate-hiking cycle- U.S. central bank chief Jerome Powell told the American Economic Association that the Fed was not on a preset path of rate hikes and it would be sensitive to the downside risks markets were pricing in.
- Trade talk - U.S. Commerce Secretary Wilbur Ross predicted on Monday that Beijing and Washington could reach a trade deal that "we can live with" as officials resumed talks.
- Precious metals markets may get a fresh update on the outlook for monetary policy from Wednesday's December Federal Reserve meeting minutes and a speech by Fed Chairman Jerome Powell.
- SPDR Gold Trust, the world's largest gold-backed exchange-traded fund, said its holdings dropped 0.19 percent to 796.78 tonnes on Monday from 798.25 tonnes on Friday
- Central Banking Holding - India raised its gold holdings by 6.54 tonnes to 598.59 tonnes in 2018 November, according to International Monetary Fund data. China gold reserves rose to 59.560 million fine troy ounces at December end, the first increase since October 2016.
- Brexit Vote – vote on Theresa May's Brexit deal has been rescheduled for January 15, if the deal is through then the UK will officially leave the EU at 11 pm on March 29, initiating a two-year transition period during which further negotiations would take place.

### Outlook

- Spot gold may remain firm as the global market over political tussle in US Government shutdown. Bias is expected to remain positive with strong support near \$1265. We expect a further positive move on a break above 1283 this week, towards next level of resistance around \$1299-1310.

## Copper is trading in tight range; US-China tariff talks may give fresh direction

- Improved sentiment over stronger demand, helped by renewed hopes over a trade breakthrough between the US and China and additional monetary stimulus from the PBOC, was one factor behind the move.
- China's central bank said on Friday it was cutting the amount of cash that banks have to hold as reserves for the fifth time in a year, freeing up \$116 billion for new lending as it tries to reduce the risk of a sharp economic slowdown.

- World Economy - German industrial orders fell more than expected in November, adding to a slew of recent indicators showing Germany's exporters are suffering from the trade dispute between China and the United States.
- Trade talks - U.S. Commerce Secretary Wilbur Ross predicted on Monday that Beijing and Washington could reach a trade deal that "we can live with" as officials resumed talks.
- Inventory Report - LME Copper warehouse stock increased by 2325 mt in last one week to 132350mt, with a net change of -56 percent in last six month, Comex Copper warehouse stock decreased by -2899 mt in last one week to 107581mt, with a net change of -52 percent in last six month

#### Outlook

- LME Copper 3M contract continued recovery from the recent low of 5727 on positive outlook after China cut banks' reserve requirements, the further positive outlook may hit if the US and China conclude 2 days tariff talk starting from today, on a positive note. Immediate level of resistance is seen near 5950 and any positive close above this may push counter towards 6080-6233 in the medium term.

### China Steel Rebar continued recovery along with Iron ore; demand may improve in coming months

- Iron Ore - China's domestic iron ore concentrates prices stayed firm as demand from the domestic steel mills has been steady, imported iron ore prices have stayed strong, while supplies tend to decline in cold winters.
- Rebar prices continued recovery as China's central bank said on Friday it was cutting the amount of cash that banks have to hold as reserves for the fifth time in a year. It is freeing up \$116 billion for new lending as it tries to reduce the risk of a sharp economic slowdown.
- China's factory activity contracted for the first time in over two years in December, highlighting the challenges facing Beijing as it seeks to end a bruising trade war with Washington and reduce the risk of a sharper economic slowdown in 2019.
- Morgan Stanley said that China and U.S. policymakers to manage a slowdown in economic growth they believe that China's growth will bottom in 1Q19, while the Fed has begun to signal some flexibility on its policy are turning positive for sentiments in the short term.

#### Outlook

- US-China trade talk in focus, the outlook for SHFE Steel Rebar future contract turning positive after China announced to cut RR rates. As it moves above 3573, a further bullish move can be seen towards the next level of resistance around 3702 in short term. Meanwhile key support level remains near 3443 and any close below this level may push counter towards 3400-3350.

### Indian Rupee remains in tight range, recovery in dollar keeping rupee under pressure

- The Indian rupee drops against the US Dollar on rising crude prices and some demand for the American currency from importers.
- Currency market sentiments were driven by the narrowing trade deficit of India in November along with smart gains in domestic equities. Commerce ministry data, India's trade deficit came down to USD 16.67 billion in November 2018 from USD 17.13 billion in October this year.
- US-China talks – Financial markets are positive on expectations that face-to-face trade negotiations between delegates from Washington and Beijing, would ease tensions between the two biggest economies in the world.
- Rising crude oil prices is a reason to worry for domestic currency; Oil rises on US-China trade talks that could soon resolve the trade war between the United States and China, while supply cuts by major producers also supported the market.
- FIIs and DIIs Data - Foreign funds (FII's) bought shares worth Rs. 736.18 crore, while Domestic Institutional Investors (DII's) sold shares to the tune of Rs 141.97 crore on January 7th. In January 2019, FIIs net sold shares worth Rs. 1063.6 crore, while DII's were net sellers to the tune of Rs. 921.02 crore.

#### Outlook

- Positive macro data is supporting positive move in Indian rupee though short-term worries over rising crude oil prices remain intact. USD-INR pair may face minor resistance near 20 days moving average around 70.60 and may close above this and may push counter towards 100 days moving an average of 71.50. Short to medium term strong support remains near 69.50

## ABans Group

Founded in 2005, under the leadership of the Group Chairman Mr. Abhishek Bansal, ABans Group has grown from being a trading house to a dynamic and diversified business group. We provide expertise in Broking Services, Financial Services, Non-Banking Financial Services, Gold Refining, and Realty & Infrastructure. In a nutshell, ABans Group is a comprehensive Financial Services conglomerate, providing end-to-end financial services to all its clients.

## 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](mailto:info@abans.co.in) Website: [www.abans.co.in](http://www.abans.co.in)

## Social Media



## Disclosure & Disclaimer: ABans Broking Services Pvt. Ltd. (ABSPL)

Prepared By:

Mr. Kamlesh Jogi, Market Research Analyst

E-mail: [kamlesh.jogi@abans.co.in](mailto:kamlesh.jogi@abans.co.in)

Phone: +91-22-68354176 (Direct)

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

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as **the Regulations**). **ABans Broking Services Pvt. Ltd. (ABSPL)** is a SEBI Registered Research Analyst having registration no. **INH000006369**. **ABSPL**, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock Broking services. **ABSPL** is a subsidiary company of ABans Finance Pvt. Ltd. (AFPL). AFPL is an NBFC, registered with the RBI, in the category of non-acceptance of public deposits.

One of the group companies of **ABSPL** is ABans Securities Pvt. Ltd. (ASPL) which is a SEBI registered member with NSE, BSE and MSE stock exchanges. ASPL is also a Depository Participant of CDSL. ABans Commodities Pvt. Ltd. (ACIPL) is another group entity which is also a registered member with MCX in the Commodity segment. Further details are available on the group website [www.abans.co.in](http://www.abans.co.in)

Mandatory Disclosures as per the Regulations:

- Ownership & Material conflicts of interest –
  - o Whether the Research Analyst or ABSPL, or his associate or his relative has any financial interest in the subject company and the nature of such financial interest – No
  - o Whether the Research Analyst or ABSPL, or its associates or relatives, have actual/beneficial ownership of 1% or more securities of the subject company, at the end of the month immediately preceding the date of publication of this research report or date of the public appearance - No
  - o Whether the Research Analyst or ABSPL, or his associate or his relative, has any other material conflict of interest at the time of publication of this research report or at the time of public appearance –No
- Receipt of Compensation –
  - o Whether **ABSPL**, or its associates have received any compensation from the subject company in the past twelve months – **No**
  - o Whether **ABSPL**, or its associates have managed or co-managed public offering of securities for the subject company in the past twelve months – **No**
  - o Whether **ABSPL**, or its associates have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months – **No**
  - o Whether **ABSPL**, or its associates have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months – **No**
  - o Whether **ABSPL**, or its associates have received any compensation or other benefits from the subject company or third party in connection with the research report – **No**
- Whether **the Research Analyst** has served as an officer, director or employee of the subject company – **No**
- Whether **the Research Analyst** or **ABSPL** has been engaged in market making activity for the subject company – **No**
- Other material disclosures, if any

### Disclaimer:

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Neither ABans Broking Pvt. Ltd. (ABSPL), nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information. The document is not, and should not be construed as an offer to sell or solicitation to buy any securities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from "ABans Broking Services Private Limited". Your feedback is appreciated on [compliance@abans.co.in](mailto:compliance@abans.co.in)