

Crude oil stabilizes after the rally from recent lows as trade talk supportive

- US-China Talk
 - Trade talks in Beijing between the world's two biggest economies entered the third day on Wednesday, amid signs of progress on issues including the purchase of U.S. farm and energy commodities and increased U.S. access to China's markets.
 - State newspaper China Daily said on Wednesday that Beijing is keen to put an end to its trade disputes with the United States, but that it will not make any "unreasonable concessions" and that any agreement must involve compromise on both sides.
 - Citing the trade tensions, the World Bank expects global economic growth to slow down to 2.9 percent in 2019 from 3 percent in 2018.
- Crude Inventory
 - The American Petroleum Institute (API) reported a draw of 6.127 million barrels for the week ending Jan 4, compared to expectations of 3.300 million barrels. Last week, the API reported a surprise crude draw of 4.5 million barrels.
 - Inventories in the Cushing, Oklahoma facility this week climbed by 331,000 barrels. Gasoline inventories buildup of 5.5 million barrels against the market expectation of a 3.45 million barrels build. Distillate inventories increased this week by 10.2 million barrels, against the expected build of 2.7 million barrels.
- US crude oil production as estimated by the Energy Information Administration showed that production for the week ending December 28 stayed at 11.7 million bpd for the week.
- The U.S. Energy Information Administration report on crude oil inventories is due to be released today.
- 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 better known as OPEC+ agreed in 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 regains - 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 \$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 shy away from the resistance of \$1300, US-China trade talks in focus

- Gold unable to test the resistance of \$1300, US-China trade talk keeps momentum lower
- 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 -0.04 percent to 796.53 tonnes on Tuesday from 796.78 tonnes on Monday.
- Central Bank 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 \$1300-1310.

Copper continued recovery, US-China tariff talks supporting positive optimism

- Improved sentiment over stronger demand, helped by renewed hopes over a trade breakthrough between the US and China as trade talks continued for the third day
- Most base metals were up after a report suggested that China plans to introduce policies to boost domestic spending on items such as autos and home appliances this year.
- 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.
- Vedanta reopens- India's Supreme Court on Tuesday cleared the way for Vedanta to reopen its south Indian copper smelter by refusing to stay an order from the country's environmental court.
- Inventory Report - LME Copper warehouse stock increased by 175 mt in last five days to 132350mt, with a net change of -56percent in last six month. Comex Copper warehouse stock decreased by -3644 mt in last five days to 106442mt, with a net change of -53percent 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, US-China trade talks continued for the third day seems to be positive for world economy and sentiments are improving from negative. 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

- Most metals were up by a report that China has plans to introduce policies to boost domestic spending on items such as autos and home appliances this year. A variety of steel products, especially hot-rolled coil, and cold-rolled coil are widely used to make autos and household items
- Some mills have already hiked prices for February and March delivery as they expect to see stronger demand after Chinese new-year in February.
- 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.

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 tumbles further on Crude oil worries

- The Indian rupee drops against the US Dollar on rising crude prices and some demand for the American currency from importers.
- The Brent crude was trading above 59 per barrel, Market is cautious as rising oil price will further escalate India's import bills.
- A trade deficit of India in November came down to USD 16.67 billion 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. US-China trade talk continued to the third day.
- FIIs and DIIs Data - Foreign funds (FII's) sold shares worth Rs. 553.78 crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs 698.17 crore on January 8th. In January 2019, FIIs net sold shares worth Rs. 1617.38 crore, while DII's were net sellers to the tune of Rs. 1474.80 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 70.50 and close above this and may push counter towards 100 days moving an average of 71.60. Short to medium term strong support remains near 69.70

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