US Crude down by 20% since early October, increasing supply to keep prices under pressure

- The oil market is well supplied even after the US launched sanctions on Iran. Iranian exports will average 1.4-1.5 million barrels per day (bpd), during the exemption period, down from a peak of almost 3 million bpd in mid-2018.
- OPEC exports continue to rise, inventories continue to build and U.S. oil output is predicted to break through 12 million barrels per day by mid-2019, are the key reason behind weakness in crude prices.
- EIA Report - US crude inventories, excluding the Strategic Petroleum Reserve, rose 5.8 million bbl for the week ended Nov. 2 compared with last week. The latest oil supply total was 431.8 million bbl, putting US crude oil inventories about 3% above the 5-year average for this time of year
- Economic slowdown over US-China trade war may keep oil demand lower for next year.

Outlook

- Oil supply is expected to increase in near term, hence price could remain weak and medium-term support is seen near 70.40-69.80, on a break below this level, immediate support is seen till 66.54 and 65.49.

Copper could rebound while above $5970

- According to China's Administration of Customs October exports are up by 15.6% YOY compared to the 14.5% growth seen in September, and higher than the forecasted 11%. Imports increased by 21.4% YOY, up from 14.5% previous month and more than the expected rise of 14%. This better than expected data is positive for base metal prices.
- According to an independent survey: Copper Traders Stay Bearish Amid Signs Chinese Demand is Cooling, while bullish respondents feel a trade deal could be bullish for the metal
- Dollar continues to remain strong and is a deterrent for all base metals as it continues to weigh on their prices
- China's Xi tries to comfort the country's worried private cos., as he attempts to reassure China's private sector that it has nothing to fear from the state. This seems to be a step to restore confidence amongst the private sector companies

Outlook

- LME 3M Copper has declined for five consecutive days, however while it is above $5970 level we can expect the metal to find support and rebound towards $6150 & $6200.

Gold drops post Fed meeting, rate hike eyed in December 2018 and beyond

- Gold near one week low, unable to hold gains after fed meeting on Thursday. FED is widely expected to hike rate in Dec'18. Higher interest rates increase holding cost of Gold and investor prefer lucrative bond market and end up dumping gold.
- The Federal Reserve kept interest rates unchanged, , as expected. The dollar index gained strength as the Fed noted that US unemployment rate has declined since the September meeting, a strong labor market indicates growth in the economy.
- So far, the Fed has raised rates three times in 2018 and is widely expected to do so again next month.
- U.S. - China trade relations received focus after Chinese President Xi Jinping indicated that Beijing wants to resolve problems with the U.S. through talks. Easing trade tension between US-China will further boost the US Dollar and is termed negative for Gold prices.
- US equities rallied and the dollar index dropped post the US Midterm election which further divided US Congress. Historically markets have performed well after midterm elections and with split control of Congress.
- Italian budget concerns are back in focus as Italian government insists it would stick with its plan to rapidly increase public spending.

Outlook

- Gold is looking weak if it trades below 1212 after the latest development of US Midterm election, fed interest rates and easing worries over US-China trade tension. Next level of support is seen around 1202-1186. However gold might remain buoyant due to Italian budget fiasco if the situation worsened further.

Chinese steel production activity continues over lenient policy adopted in comparison with previous year

- Rebar and HRC prices dropped from recent high as Steel production is less affected than last year, construction steel product prices have declined nearly 2 %for the week so far.
- China's steel production may not slow down during the winter season as the Chinese government will exercise flexibility in pollution control measures.
- Data from the China Iron and Steel Association showed that average daily crude steel production at its member mills stood at 1.97 million tonnes over Oct. 1-20, nearly matching September's 1.98 million tonnes.
- According to government reports, China's iron ore imports rose 11.2 % from a year ago to 88.4 million tonnes in October

Outlook

- China Rebar prices are likely to witness further weakness as the market is well supplied and slower demand during low construction activity in the winter season. China HRC prices dropped due to slower economic growth after trade war with the US, which is likely to reduce demand further.

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 Website : 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
Phone: 022 – 6789 8621
Communication Address: Mittal Chambers, 2nd Floor, No. 25,
Backbay Reclamation, Nariman Point, Mumbai - 400021.

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
Mandatory Disclosures as per the Regulations:

- Ownership & Material conflicts of interest –
  - 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
  - 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
  - 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 –**
  - Whether **ABSPL**, or its associates have received any compensation from the subject company in the past twelve months – **No**
  - Whether **ABSPL**, or its associates have managed or co-managed public offering of securities for the subject company in the past twelve months – **No**
  - 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**
  - 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**
  - 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: