

## Brent oil rallied from recent low over production cut from January, China oil import rose

- Brent oil prices bounced from recent low of 57.50 and holding below key resistance level around 64.48. OPEC announced production cut on Friday, China oil import rose 15.7% year on year in November.
- OPEC Cut - OPEC announced on Friday to reduce crude oil production by 1.2 million barrels per day (bpd) during the first six months of 2019 in an effort to stave off a global glut in supplies and prop up prices. OPEC countries will cut 0.8 million bpd and non OPEC countries will cut 0.4 million bpd and they will review situation again in April'19.
- China oil imports rose – Custom data showed that China's crude oil imports rose 15.7% year on year to record high of 10.48 million b/d in November. Robust imports in November lifted the country's crude oil imports over January-November to 418.11 million mt (9.18 million b/d), up 8.4% from the same period a year earlier.
- Focus now shifts on monthly reports from OPEC and the International Energy Agency (IEA) this week to assess global oil supply and demand levels.
- The Energy Information Administration (EIA) reported last week that domestic crude supplies fell by 7.3 million barrels, the first decline in domestic crude supplies in 11 weeks. API inventory data will be released on Tuesday and EIA will release crude oil inventories report on Wednesday.

### Outlook

- Brent oil bounced after production cut announced by OPEC and non-OPEC countries, monthly OPEC production report and weekly US crude oil inventories are likely to be watched closely. Immediate bottom is formed near \$57.50 per barrel but confirmation is due unless it crosses its stiff resistance at \$64.40 per barrel.

## Spot gold at highest level since July'18 over poor US economic data

- Spot Gold prices rose to its highest level since July and holding reflect the largest weekly gain since August as the equity market selloff boosted safe haven demand for the precious metal.
- Data on Friday showed that the U.S. economy created less -than-forecast new jobs in November, while October's figure was revised lower. Although Wage growth rose in line with forecasts.
- Fed is on track to hike interest rates this month. But job report indicated that the labor market may not be as strong as hoped, easing pressure on the Fed to keep hiking rates in 2019.
- Gold will get fresh direction this week from various data release such as retail sales and consumer prices and further speculation over whether the Federal Reserve may slow the pace of interest rate hikes next year.
- Fed Chairman Jerome Powell said last week that U.S. interest rates were nearing neutral levels, which markets interpreted as signaling a slowdown in rate rises. Fed 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 recovered marginally from losses over the arrest of CFO of Chinese telecom giant Huawei. This arrest in Canada at the behest of the U.S., enraged China and it could retaliate by detaining American executives.
- 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 December 19<sup>th</sup>. Meanwhile a technical breakout above 1238 may push precious metal towards its next level of resistance around 1252 and 1266 while above 1221.

## India rupee lost ground over fresh equity sell off over Exit poll and global cues

- Indian bonds and currency markets weakened on Monday after exit polls showed mixed results for ruling party at the recently held crucial state elections, and on higher oil prices after OPEC members and allies agreed to reduce output on Friday.
- Global stocks extend retreat -Global stocks extended their slump on Monday, with US equity futures and Asian shares sliding on worries over slowing growth.
- Oil gains on OPEC+'s decision to cut supply -Oil prices rose on Monday, extending gains from Friday when OPEC and non-OPEC agreed a supply cut of 1.2 million barrels per day (bpd) from January.
- Foreign funds (FII's) sold shares worth Rs 817.40 crore, while domestic institutional investors (DIIs) bought share to the tune of Rs 242.56 crore on December 7<sup>th</sup>. In December 2018, FIIs net is at Rs. -865.50 crore while DII's net is at -2266.64 crore.
- 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 has started to cut the SLR by 0.25 bps from January-March, every quarter till it reaches to 18% from 19.5%. RBI projected GDP to be at 7.4% and 7.5% for FY19 and F20 respectively.

### 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.

## LME Copper dropped to three week low over poor US economic data and China imports declined

- Copper drops as China custom data showed a 3 percent year-on-year drop in copper imports by China, and China-U.S. trade tensions continued to weigh on prices.
- China's imports of copper came in at 456,000 tonnes in November, down from 470,000 tonnes a year earlier but up 8.6 percent from October. Copper concentrate imports fell 4.6 percent year-on-year to 1.699 million tonnes.
- U.S.-China trade dispute remains the "largest downside risk for global and Chinese economic outlook. Equity market was down over arrest of a top Chinese executive in Canada which diminished hopes for a resolution of the U.S.-China trade conflict.'
- Inventory – Copper inventories at LME declined further by 500mt to 124450 mt which is a net loss of 11725 in last 5 sessions. Weekly inventory report at SHFE is showing a decline of 7163 mt to 123879 mt, inventory Data for both was released on December 7<sup>th</sup>.

### Outlook

- LME Copper 3M contract may find support if Fed decides not to hike interest rates further in 2019, short term weakness remains over China-US trade war and poor US economic data. Strong support base is seen near 6000 while important resistance seen at 6200.

## China steel output at record high, prices drops further

- China steel prices dropped further, Steel rebar future on SHFE have lost almost 17% since it registered seven year high of 4024 in late Aug'18.
- Crude steel output in the China is expected to reach a record of 923 million tonnes, the China Metallurgical Industry Planning and Research Institute said. Increased supply has shrunk profit margins at steel producers.
- The slowing demand during winter season is easing consumer prices unless government provides some monetary stimulus to Chinese producers and economy.

### Outlook

- China Rebar future contract may find stiff resistance near 3570 over huge supply and lower demand in next few weeks, trend was negative and counter could experience fresh selling on some recovery from current levels. Immediate support can be seen around 3426 and 3389 this week.

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