

Crude oil rallied five percent after comment from Saudi over production cut

- US-China Talk
 - A U.S. delegation returned home on Wednesday after a three-day round of trade talks in Beijing. The American side released a statement noting a long list of outstanding issues in the relationship, but also recognizing that China had pledged to buy “a substantial amount” of goods and services from the U.S.
 - 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
 - EIA Report – The U.S. Energy Information Administration said crude inventories fell by 1.68 million barrels for the week ended Jan 4, about a third less than the 2.4 million-barrel draw forecast. Gasoline inventories rose by 8.07 million barrels, more than double the expected build of 3.39 million barrels. They were also 8% above the 5-year average. Distillate stockpiles, which include diesel and heating oil, increased by 10.61 million barrels, compared to forecasts for a gain of 1.89 million. They were also 5% above the 5-year average.
 - The EIA said refiners operated at 96.1% of capacity last week, the first full working week of 2019. In months past, refinery utilization has also come close to 99%. If that happens and demand for products do not pick up, there could be even more inventory buildup.
 - API Report- reported a draw of 6.127 million barrels for the week ending Jan 4, compared to expectations of 3.300 million barrels.
- Saudi Comment - Saudi Arabia vowed to “stabilize” the market, it was pumping about 800,000 barrels less a day from the record high of 10.2 million barrels per day in November. The amount it would ship overseas in February would be another 100,000 bpd less than January’s 7.2 million 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 near seven months high, US-China trade talks and the weak dollar is in focus

- Gold prices near seven-month highs on Thursday as the dollar was pressured by rising expectations that the U.S. Federal Reserve will keep interest rates steady this year.
- Fed minutes- Federal Reserve officials expressed increasing worries when they met last month, as they grappled with volatile stock markets, trade tensions, and uncertain global growth. The threats, they said, made the future path of interest rate hikes “less clear.” The Fed trimmed its projection of possible rate hikes in 2019 from three down to two.
- Trade talk – A U.S. delegation returned and released a statement noting a long list of outstanding issues in the relationship, but also recognizing that China had pledged to buy “a substantial amount” of goods and services.
- SPDR Gold Trust, the world’s largest gold-backed exchange-traded fund, said its holdings rose 0.34 percent to 799.18 tonnes on Wednesday from 796.53 tonnes on Tuesday
- Brexit Vote – vote on Theresa May’s Brexit deal has been rescheduled for January 15,

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. FOMC minutes indicate only two rate hikes in 2019 from earlier expectations of three hikes is termed to be positive for bullion. 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.

- China Economy – The Producer Price Index in December rose 0.9 percent from a year ago, lower than the 1.6 percent market expectations. Consumer Price Index — a gauge of prices for goods and services — rose 1.9 percent on year in December, against expectations of a 2.1 percent growth.
- Trade talk – A U.S. delegation returned home on Wednesday after a three-day round of trade talks in Beijing. The American side released a statement noting a long list of outstanding issues in the relationship, but also recognizing that China had pledged to buy “a substantial amount” of goods and services from the U.S. Chinese official said the government was contemplating policies to increase domestic buying of automobiles.
- Copper concentrate exports from Indonesia's Grasberg mine, the world's second-largest copper mine, forecast to plunge this year because of a lag in output as operations move from open pit to underground mining, a government official said on Wednesday.

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 helped to improve sentiment. Though negative macroeconomic data paused rally. 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; demand may improve in coming months

- China plans to introduce policies to boost domestic spending on items such as automobiles and home appliances this year as part of wider efforts to strengthen consumption, a senior official at the country's top state planner said.
- Positive trade talk- Chinese and U.S. teams ended trade talks in Beijing on Wednesday that lasted longer than expected and officials said details will be released soon, raising hopes an all-out trade war that could badly disrupt the global economy can be avoided. The American side released a statement noting a long list of outstanding issues in the relationship, but also recognizing that China had pledged to buy “a substantial amount” of goods and services from the U.S.
- Some mills have already hiked prices for February and March delivery as they expect stronger demand after Chinese new-year in February.
- Steelmaking city of Tangshan has issued a smog alert, effective from Jan. 8 to Jan. 14, asking steel mills to cut sintering output by 30 percent to 60 percent, or shut completely depending on emission levels.
- China Car sales- The China Passenger Car Association has reported that car sales fell by 6% in 2018 to 22.7 million units last year. China Dec. Retail passenger vehicle sales were reported to be -19% on year. The 25% slump in the Chinese stock market in 2018 will also hit many consumers in the pocket.

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 Rebar prices move 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 receive support from dollar decline, Crude oil worries prevented the rally

- The Indian rupee gains marginally against the US Dollar, as greenback slide on global cues. Rising crude prices and some demand for the American currency from importers may keep rally limited.
- US crude surges 5.2%, settling at \$52.36, on Saudi output cuts and US-China trade talks
- 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 as US-China trade talk continued to the third day.
- FIIs and DIIs Data - Foreign funds (FII's) bought shares worth Rs. 276.14 crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs 439.67 crore on January 9th. In January 2019, FIIs net sold shares worth Rs. 1341.24 crore, while DII's were net sellers to the tune of Rs. 1198.66 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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