Brent oil prices stabilize near $60, Libya's National Oil Company declared force majeure on exports

- Libya's National Oil Company (NOC) declared force majeure late Monday on exports from the El Sharara oilfield, which was seized at the weekend by a militia group. It will result in a production loss of 315,000 barrels per day (bpd), and an additional loss of 73,000 bpd at the El Feel oilfield.
- CFTC - The financial speculator group cut its combined futures and options position in New York and London by 25,619 contracts to 144,775 during the period. That is the lowest level since Sept. 20, 2016.
- 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 imports 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 of $64.40 per barrel.

Spot gold maintains above 1252, eye on Brexit vote and fed meeting next week

- Spot Gold prices remain near highest level since July as the U.S. Federal Reserve could pause its rate hike cycle sooner than anticipated, but a stronger dollar over Brexit vote continues to pressurize the precious metal.
- Gold is likely to get fresh direction this week from various data releases such as retail sales, consumer prices and further speculation over whether the Federal Reserve may slow the pace of interest rate hikes next year. 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.
- Fed Chairman Jerome Powell said last week that U.S. interest rates were nearing neutral levels, which markets interpreted as signal for a slowdown pace of rate hikes. 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.
- CFTC Report- Hedge funds and money managers trimmed their net short positions in Comex gold and silver contracts in the week to Dec. 4
- India raised gold holdings by 5.6 tonnes to 592.06 tonnes in 2018 October, according to IMF Data.

Outlook

- Weakness in dollar index is pushing gold higher, fresh outlook after monthly nonfarm payroll data this weeks and fed meeting on December 19th. 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 after recovery in oil prices and domestic issues

- The Indian rupee on Monday tumbled against the US dollar on rising worries on US-China issues resurface trade war worries and uncertainty over crude prices
- Massive sell-offs in domestic equities as investors panicked after state election results and surprising resignation of RBI governor
- Oil gains on OPEC+'s decision to cut supply -Oil prices rose on Monday, extended 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) bought shares worth Rs 116.22 crore, while domestic institutional investors (DIIs) sold shares to the tune of Rs 145.80 crore on December 10th. In December 2018, FIIs net is at Rs. -749.30 crore while DII's net is at -2412.44 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 over China imports declined and US china trade dispute

- Copper drops as China custom data showed a 3% year-on-year drop in copper imports by China, and China-U.S. trade tensions continued to weigh on prices.
- U.S. Dollar remained firm and is weighing on commodity 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 markets were 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 1950mt yesterday to 122500mt which is a net loss of 11700 in last 5 sessions. SHFE Weekly inventory report released on Friday is showing a decline of 7163 mt to 123879 mt.

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 is seen near 6000 while important resistance seen at 6200.

China steel futures fell on slower demand, weak export and higher production this year

- 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.
- China's steel exports remain weak, which is likely to increase risks of oversupply in the domestic market, China's steel shipments dropped nearly 9% to 63.78 million tonnes in January-November.
- 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 recovery from current levels. Immediate support can be seen around 3426 and 3389 this week.

ABans Group

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