LME Copper recovers as US-China back to talk tariff issues

- Copper recovered and is trading higher as investor are hopeful for a positive conclusion from ongoing tariff talk between US-China
- US-China tariff talk - Trump administration officials held a call with their Chinese counterparts on Tuesday, formally kicking off the latest round of talks to end the US-China trade war. China's repeated commitment to buying US products and lowering auto tariffs shows that Beijing is at least superficially committed to easing the trade tensions. But the arrest of Huawei CFO Meng Wanzhou and the Trump administration's actions to confront China in other areas could cast a shadow over the talks.
- Concerns remained over lackluster demand from China after copper imports fell 3 percent in November. 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 1200mt yesterday to 121300mt which is a net loss of 8875 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.

Steel recover over more production cut

- Chinese steel prices climbed more than 2 percent recovering from three days of losses, with top steelmaking city Tangshan planning further production cuts this month as it races to meet its air quality target this year.
- Tangshan, which accounts for about 10 percent of China's total steel output, ordered industrial plants, including steel mills, to reduce output by an average 40 percent from Dec. 13 to 31,
- 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 economy.

Outlook

- China Rebar future contract may find stiff resistance near 3497 over huge supply and lower demand in next few weeks, minor recover is seen due to ongoing production cut in china's main production center in Tangshan. It may find immediate support around 3386 and 3330 this week.

Rupee gains as domestic equities recovered following global cues

- Recovery in domestic equity market was supportive for fresh recovery in Indian rupee against dollar. Crude oil prices remains in tight range and global equity market also found some support after US-China tussle. The S&P 500 closed 1.9% above its intraday low, its biggest such bounce since Feb. 6; the Dow closed 2.1% above its session low for its biggest intraday, upside reversal since April 4, according to Dow Jones Market Data.
- Crude Oil in range - After last week's OPEC+ rally which pushed Brent back up to $63.70/bbl, the spot price has drifted lower and now trades around $60.0/bbl and is likely to remain around there in the short-term. A lack of any fresh drivers has taken the volatility out of oil and price action is expected to stay muted until 2019.
- Foreign funds (FII's) sold shares worth Rs 2421.06 crore, while domestic institutional investors (DIIs) bought shares to the tune of Rs 2255.68 crore on December 11th. In December 2018, FIIs net is at Rs. -3170.36 crore while DII's net is at -156.76 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.

Brent oil prices stabilize remains above $60 over Libya's loss of production

- Oil prices rose following reports of a production loss of 315,000 barrels per day (bpd) at El Sharara oilfield, which was seized at the weekend by a local militia group.
- 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 is likely to 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 of 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.
- Focus now shifts on monthly reports from OPEC and the International Energy Agency (IEA) this week to assess global oil supply and demand levels.
- API Inventory - crude oil inventory draw 10.18 million barrels for the week ending December 7, compared to analyst expectations that we would see a draw in crude oil inventories of 2.990 million barrels. Inventories in the Cushing, Oklahoma facility this week had climbed by 642,000 barrels.

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 recovers losses, eye on fed meeting next week

- Gold prices climbed despite indications that the Federal Reserve might lower interest rates in the next two years. Brexit is in focus for gold investors as it is an attempt to oust British Prime Minister Theresa May; which would further deepen the political un-certainty in UK and is expected to be positive for Gold.
- The U.S. Federal Reserve could pause its rate hike cycle sooner than anticipated, Gold is moving sideways given the uncertainties around the pace of Fed rate hikes, the Brexit deal and U.S-China trade talks
- 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 indicatess that the labor market may not be as strong as hoped, easing pressure on the Fed to keep hiking rates in 2019.
- The Fed is widely expected to raise rates at its Dec. 18-19 meeting, but the market is focusing on how much further it might lift rates next year, after recent comments by Fed members to decide the monetary policy based on data have been taken as a signal for lower rate hikes in 2019. Fed meeting is scheduled for December 18th and 19th. Gold traders are closely watching the Fed to decide their next course of action.
- 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.

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:

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Neither ABans Broking Pvt. Ltd. (ABSPL), nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information. The document is not, and should not be construed as an offer to sell or solicitation to buy any securities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from "ABans Broking Services Private Limited". Your feedback is appreciated on compliance@abans.co.in