

LME Copper continues to trade sideways amid tariff talk

- Copper declined as data indicated China's industrial production slowed previous month, denting demand prospects for the metal that is facing a 15 percent decline in 2018.
- China's industrial output for November rose the least in nearly three years, according to the National Bureau of Statistics, underlining rising risks to the economy as China works towards defusing a trade dispute with the United States
- US-China tariff talk –markets easing out as investors weigh easing trade tensions between the U.S. and China ahead of the U.S. Federal Reserve's final policy meet of 2018 next week.
- Chile's Codelco's said its sprawling Chuquibambilla copper mine was operating normally after workers blocked access to the mine on Thursday
- Unions at Chuquibambilla mine, state miner's second largest by output, have protested for months over plans to transform it into an underground mine, a key facet of Codelco's \$39 billion, 10-year drive to update its aging deposits.
- 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.'

Outlook

- LME Copper 3M contract is trading sideways in the 6360-6000, in the near term we expect it to continue trading in this range.

China Rebar recovered further over production cut and hope of infrastructure projects next year

- Chinese steel prices continued rally, 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% 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 monthly crude steel production fell to a seven-month low in November amid winter production controls and a plunge in profitability, although output was still 10.8 percent higher as compared to a year earlier.
- November production was at 77.62mn tons, lower by 6pc from 82.55mn tons in October, according to the national bureau of statistics. Daily crude steel output last month was at 2.59mn tons compared with 2.66mn tons in October.
- Additional infra Project next year just after Chinese New year - China could launch more infrastructure projects next year which could boost demand in the world's top steel consumer. The Chinese government has changed its priorities to focus more on infrastructure, exports and fighting water pollution while slowing efforts to reduce capacity in coal and steel industries, state media reported on Wednesday.
- 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

- Steel Rebar future contract bounced from 3415 may face minor resistance near 3520 as demand remains stable during winter. Any close above 3520 will push counter towards 3556-3600 in near term.

Rupee recovery continues as domestic equities remain firm

- The rupee continued its rally after the new RBI governor Shaktikanta Das took charge and emphasized the need of a consultative approach to tackle various economic issues. Higher opening of domestic equity markets and weakening of the US dollar against some currencies in global market also boosted uptick in rupee. The new RBI governor's first speech also confirms that he is likely to be more communicative and consultative in his approach.
- Recover in domestic equities 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.

- 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 trade around \$60.0/bbl and is likely to remain around these levels 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.
- India's gold imports down by 13% in first nine months of 2018; domestic demand contracts 8% yoy, reduced gold demand is helps the Rupee to remain strong

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.

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