

Concern of Economic slowdown and surge in supply pushing Crude oil prices down

- U.S. crude oil output from its seven major shale basins is expected to hit a record of 7.94 million barrels per day (bpd) in December- EIA
- U.S. crude production hits a record 11.6 million bpd, making United States world's biggest oil producer ahead of Russia and Saudi Arabia. U.S. output is expected to climb above 12 million bpd in the first half of 2019 as per reports from a leading bank.
- API Report - U.S. crude stocks climbed by 7.8 million barrels in the week ending Nov. 2 to 432 million, surge in U.S. production is contributing to rising stockpiles.
- OPEC Meeting on December 6th - OPEC has been watching the jump in supply and price slump with concern.
- Economic Slowdown- China's third quarter marked the weakest pace of growth in nearly a decade. Manufacturing production was up just 6.7 percent in the first nine months. In September, retail sales were up just 6.4 percent from a year earlier after adjusting for inflation, marking the weakest pace of growth recorded in seven years of data. Growth in infrastructure investment slowed to 3.3 percent in the first nine months of 2018.

Outlook

- Oil supply is expected to increase in near term while oil demand may be negatively impacted on expected economic slowdown in 2019. Oil prices could remain weak and a break below 64.50 could see oil declining towards 63.15 and 61.68

Weakness in dollar index lending support to sliding gold prices

- U.S. dollar Index retreated from a 16-month high amid a surge in the euro and sterling on a draft Brexit agreement.
- Brexit - The British cabinet will meet at 1400 GMT on Wednesday to consider the draft withdrawal agreement, a Downing Street spokesman said after Irish and British media leaked details of the agreement.
- Italy - The Italian government will maintain its deficit and economic growth forecasts for 2019 despite European Commission demands for the budget plan to be revised, Deputy Prime Minister Matteo Salvini said late on Tuesday.
- SPDR Gold Trust holdings fell 0.11 percent to 761.16 tonnes on Tuesday from 762.00 tonnes on Monday.

Outlook

- Gold is looking weak as it trades near key support level of \$1202 per ounce after Dollar index rallied to a 16 month high over positive economic data. Latest development of US Midterm election and fed interest rate worries are supporting this move. Brexit and Italy's Budget fiasco are key events to watch out for, next level of support is seen around \$1186 per ounce

SHFE Rebar prices up on hope of economic stimulus

- After mixed economic data, investors are hopeful of economic stimulus which is likely to boost construction steel demand in future. Rebar future contracts are finding support over this news after a decline towards multi month low.
- China produced a total of 82.55 million tonnes of crude steel in October, the highest level in at last eight years ahead of winter production curbs.
- China's Fixed-asset investment growth quickened to 5.7 percent in the January-October period, however, growth in October real estate investment eased to a 10-month low and home sales fell.
- Credit growth slowed sharply in October, with household loans falling to 563.6 billion yuan from 754.4 billion yuan in September.
- Steel inventory at Chinese steel mills continued to reduce to level last seen in mid-January, according to data compiled by a third party website.

Outlook:

- Rebar prices which dropped to lowest level since Aug'18 found support on hope of a economic stimulus for construction, prices may trade up from current levels in case it sustains above 3940 which is a key resistance level, further upside is seen till 4002-4073 while its above 3940.

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