

Bond yields dropped along with dollar index over US CPI, lending support to gold prices

- US consumer prices posts the largest gain in 9 months, Consumer Price Index rose 0.3 percent last month after edging up 0.1 percent in September. In the 12 months through October, the CPI rose 2.5 percent, picking up from September's 2.3 percent rise.
- The U.S. central bank left interest rates unchanged last Thursday, but is expected to increase borrowing costs in December for a fourth time this year. Higher inflation data will be a matter of concern to determine a further rate hike in December.
- Brexit - After months of negotiations, UK and EU have come up with a draft withdrawal agreement. This covers how the money UK owes the EU - an estimated £39bn, Business leaders have welcomed cabinet's approval for Theresa May's draft Brexit agreement but warned that parliamentary divisions should not be allowed to derail the chances of a deal.
- Italy Budget - The Italian government has defied the European Commission by sticking to its big-spending budget plan. Finance Minister Giovanni Tria said it would keep to a deficit target of 2.4% and a growth forecast of 1.5%. The Commission, worried by the impact of high spending on Italy's high levels of debt, had told Rome to revise the budget or face possible fines.

Outlook:

- Gold is finding support near \$1202-\$1195 per ounce. Brexit discussions along with Italy budget talks to watch for. Focus now shifts towards resistance level of \$1222 and \$1239 per ounce.

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

- China's economic "conditions deteriorated materially" in the third quarter of 2018, China is the world's biggest oil importer and the second-largest crude consumer. Meanwhile, data released this week showed economic contraction in Japan and Germany in the third quarter.
- Supply has been surging, due to a 22 percent rise in U.S. crude oil production this year to a record 11.6 million barrels per day (bpd).
- The American Petroleum Institute reported a rise in crude inventory by 8.8 million barrels in the week to Nov. 9 to 440.7 million, compared 3.2 million barrels expectations.
- EIA – Inventory will be released today, expectations are for an increase of 2.3 million barrels in crude supplies.
- OPEC Meeting on December 6th - OPEC has been watching the jump in supplies and price slump with concern, Fearing a renewed glut like in 2014, when prices crashed under the weight of oversupply which has forced the OPEC to think about supply cuts.

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. OPEC discussion of supply cut is a risk to this view.

SHFE Rebar prices further recovered on hope of an economic stimulus, facing stiff resistance near 3940

- 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 lows.
- China's infrastructure investment, including spending on the construction of roads, railways and some other utilities, rose 3.7% year on year in the first 10 months, up from 3.3% in the first nine months. This is the first rebound in infrastructure spending this year.
- 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 an 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 it is above 3940.

