

Copper remains negative on concerns about global economic growth, Fed outcome awaited

- Copper prices at SHFE hit a three-month low as investors concerned about global economic growth waited to see if the U.S. Federal Reserve would raise interest rates for a fourth time this year.
- Higher interest rates would increase borrowing costs and this will result in expensive economic activities, ultimately reducing demand for all base metals.
- China is expected to lower next year's growth target to 6.0-6.5 percent as headwinds, including a trade dispute with the United States, is likely to increase risks for the economy, according to government advisers'.
- Indian Copper refining unit of Vedanta in the state of Tamil Nadu is close to re-start copper smelter plant after the government took the initiative to resolve the issue; Vedanta smelts 400000mt copper every year.
- China Output - China's refined copper output rose by 7.6 percent year-on-year to 768,000 tonnes in November, its highest level since June, according to the National Bureau of Statistics.
- Inventory - LME Copper warehouse stock remained at 122000mt, with a net change of -59 percent in the last six months. SHFE Copper warehouse stock remained at 122222mt, with a net change of -54 percent in the last six months. Comex Copper warehouse stock remained at 117651mt, with a net change of -48 percent in the last six months.

Outlook

- LME Copper 3M contract may find support if Fed decides not to hike interest rates further in 2019; US economic data is awaited this week. Strong support is seen near 6000 while important resistance is seen at 6200.

Indian rupee maintained strength, Oil and Fed are in focus

- The Indian rupee continued strengthening against the US dollar as Indian gold imports fell sharply which reduced the trade deficit.
- Brent Oil prices crashed to \$55.91 per barrel extending losses this week as well as reports of a big climb in U.S. inventories and forecasts of record shale output stoked worries about oversupply.
- FIIs and DIIs data - Foreign funds (FII's) bought shares worth Rs 144.76 crore, while Domestic Institutional Investors (DIIs) sold shares to the tune of Rs 182.60 crore on December 18th. In December 2018, FIIs net is at Rs. -2848.9 crore while DII's net is at 350.7 crore.
- In November, trade deficit was at \$16.67 billion, up from \$17.13 billion last month.
- Oil imports increased by 4.3% while exports slowed, rising 0.8% from 17.86% in October.
- Gold imports fell 15.59% to \$2.76 billion in November.
- Dollar index touched its highest level since June last year, helped by a surge in core retail sales which rose to 0.9% in November, up from the revised 0.7% in the previous month and higher than the 0.4% expected by the markets.

Outlook

- 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. Recovery in the domestic equities market was supportive for fresh recovery in the Indian rupee against the dollar. Crude oil prices crashed to new lows and trade talks between US and China are improving sentiments, though USD-INR may find a support base around 69.78 and fresh weakness towards 69-68.50 can be seen only if it breaks 69.78; meanwhile, an important resistance is seen around 71.20 and 72.60 levels.

Gold remained higher before Fed meeting

- Dollar slipped from the highest level of 19-months before the Fed meeting, and gold recovered from early losses
- Market awaits the two days Fed meeting which is ending today. The Federal Reserve is set to raise interest rates by 25 basis points, but the focus would be on future rate increasing where Fed comments to limit the rate rising cycle.
- Brexit - Britain's government is not preparing for a second referendum on Brexit, ministers said on Sunday, sticking to the script that Prime Minister Theresa May's deal could still pass through parliament with a few changes.
- European Growth - European Central Bank President Mario Draghi told European Union leaders growth was weaker than previous forecast and urged them to go forward with reforms of the Eurozone.
- Holdings in SPDR Gold Trust, the world's largest gold-backed exchange-traded fund, rose 1.08 percent to 771.79 tonnes on Tuesday.

Outlook

- Spot gold recovered after the dollar declined, key resistance level is seen near \$1250 and fresh bullish move can be seen if it sustains above this level; meanwhile, an immediate support is seen at \$1232. The Fed meeting is in focus and further direction can be seen on either side of \$1232-\$1250 range. A break above 1250 may push the counter higher towards 1259-1266 in the very short term.

China Steel Rebar halts rally on demand concerns, hopes for a stimulus keeping support alive

- Lower demand and ample of supply despite stringent winter production cut is keeping rebar prices lower.
- China's value-added industrial output, an important economic indicator, expanded 5.4 percent year on year in November.
- China Steel output - Steel output is falling to a seven-month low of 77.62 million tonnes in November, down from a record 82.55 million in October and December output may be in the region of 66 million tones, according to a forecast for total output for 2018 by China Metallurgical Industry Planning and Research Institute.
- The institute expects China's 2018 crude steel output to reach an all-time high of 923 million tonnes, with production in the first 11 months totaling to 857.4 million tons, up 6.7 percent for the same period in 2017. The record output for the year so far came amid strong demand earlier in the year and fat profit margins, but these factors have faded somewhat in recent weeks.
- China Economic data - China's auto sales fell a sharp 10 percent in November from a year earlier, the steepest drop in nearly seven years. Industrial output rose 5.4 percent year-on-year in November, missing analysts' estimates and matching the pace seen in January-February 2016. Factory output had been expected to grow 5.9 percent, unchanged from October's pace. Retail sales gained 8.1 percent in November from a year earlier, below expectations of an 8.8 percent rise and the slowest since May 2003.

Outlook

- China steel rebar future bounced over speculation of economic stimulus to the steel industry and winter production cut. Now, it may face a minor resistance around 3568-3598 levels ; in case of a positive breakout, it may rise towards 50 DMA at 3843, while important support is seen near 3517-3496 levels.

Inventory build up more than expectation pushed crude lower, EIA and Fed meeting to be watched

- API inventory report - The American Petroleum Institute (API) reported a surprise crude oil inventory build of 3.45 million barrels against an expectation of 2.475 million barrels for the week ending December 14. Inventories in the Cushing, Oklahoma facility this week had climbed by 1.063 million barrels. Even gasoline inventory buildup was 1.76 million barrels against 1.025 million barrels expectations. Although distillate inventories fell by 3.442 million barrels against market expectation of inventory buildup.
- EIA Inventory report will be released today at 9 P.M. IST.
- Growth Concerns - Negative China and Eurozone data are turning negative for oil demand in 2019, while US economic data remained somewhat supportive. China's economy has been losing momentum in recent quarters as a multi-year government campaign to curb shadow lending put increasing financial strains on companies in a blow to production and investment.
- Crude oil production - Persistent growth in U.S. shale output continues to weigh on oil prices, while some analysts doubted that planned supply cuts led by the Organization of the Petroleum Exporting Countries (OPEC) would be enough to rebalance markets. The Bank of Russia cut its crude price outlook for next year to \$55 a barrel from \$63 on higher supply risks, mainly related to "fast output increase" in America. Russian oil output is so far this month at a record 11.42 million bpd. Libya's state oil company has declared force majeure at the country's largest oilfield.
- Oil traders are watching the Fed outcome closely. The Fed is expected to raise U.S. interest rates for the fourth time this year though the central bank may temper the outlook for further increases in 2019 due to concerns about the economy. The two days Fed meeting will conclude today.

Outlook

- Brent Oil entered in a negative territory after four weeks of consolidation between \$58-\$62 per barrel. The oil market is expected to remain over supplied during early 2019 due to higher production and demand may not pickup under the shadow of tariff war between US-China. More weakness is seen below \$57.50 till \$54.10- \$52.90 per barrel.

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