

## Crude Oil prices are gaining support on OPEC production cut talks, meeting on December 6<sup>th</sup>

- Oil prices rose around 1% on Monday as traders expected top exporter Saudi Arabia to push producer club OPEC to cut supply towards year-end. Saudi Arabia is pushing for its allies to cut 1 million to 1.4 million barrels per day (bpd) of supply to adjust for a slowdown in demand growth and prevent oversupply.
- A demand slowdown is still expected over trade disputes between US and China
- This comes in after Washington granted Iran's major oil customers, mostly in Asia an unexpectedly broad exemptions to sanctions it re-imposed on Tehran in November.
- Japanese refiner Fuji Oil is set to resume Iranian crude purchases after Japan received one of those waivers. Japan had ceased all purchases of Iranian oil prior to receiving the waiver in early November.
- Oil production in the United States is surging. U.S. energy firms added two oil rigs in the week to Nov. 16, bringing the total count to 888, the highest level since March 2015, a weekly report by energy services firm Baker Hughes said on Friday. US Production already jumped by almost a quarter this year, to a record 11.7 million bpd.
- CFTC report - The speculator group cut its combined futures and options positions on U.S. and Brent crude during the week ended Nov. 13 to the lowest since June 27, 2017.

### Outlook

- Brent oil took support near 61.61 and is holding its gains with talks of OPEC production cut, recovery may continue further towards immediate resistance of 69.56 on a short covering rally. Though 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.

## Gold trading at 1220, receiving support from weak dollar

- U.S. Federal Reserve officials said that they were cautious on global economic growth. Gold is receiving support on this news as dollar index future dropped from recent high of 97.53
- Trade War - President Donald Trump said on Friday that he may not impose more tariffs on Chinese goods after Beijing sent the United States a list of measures it was willing to take to resolve trade tensions
- Brexit - British Prime Minister Theresa May said on Sunday that toppling her would risk delaying Brexit and she would not let talk of a leadership challenge distract her from a critical week of negotiations with Brussels.
- ECB Interest rates - The European Central Bank can change its plans to start raising interest rates late next year if borrowing costs rise too far or inflation slows
- SPDR Gold Trust - holdings fell 0.19 percent to 759.68 tonnes on Friday from 761.16 tonnes on Thursday.
- CFTC - Hedge funds and money managers boosted their net short positions in gold by 33,378 contracts to 70,864 contracts in the week to Nov. 13, that was the highest net short position in five weeks.
- Gold is trading at premium in India for the first time in more than two months on robust demand following a busy festival week.

### Outlook

- Gold is finding support near \$1202-\$1195 per ounce. Brexit discussions along and China trade talk are keeping gold in range of 1208-1217. Focus now shifts towards resistance level of \$1222 and \$1239 per ounce.

## Copper could trade sideways in the near term

- Asia-Pacific leaders failed to agree on a communiqué at the summit in Papua New Guinea on Sunday as differences between the United States and China over trade and investment reduced cooperation
- Dollar is trading soft on Monday morning helping some base metals to hold gains, though copper is trading weak and is down 0.75%
- Trade war concerns are also having a negative impact on the metal, however tight supplies are lending some support
- On Friday, the Federal Reserve Vice Chairman Richard Clarida said that the Fed is very much in data dependency mode, he also said that being at neutral makes sense and they are close but not there yet

### Outlook

- LME 3M Copper has risen well in the past week and has ended in a bullish candlestick formation indicating buying interest at lower levels. We can expect the metal to trade in the range of \$6300-\$6000 in the near term.

## Indian rupee is receiving support from sliding Oil prices and positive economic data

- The rupee remained near 72 as Brent crude continued trade below \$68 a barrel along with a decline in the dollar index.
- The ongoing spat between the government and the RBI has cast a spotlight on the central bank's board meeting on Monday, which is otherwise a routine exercise.
- Liquidity situation in bond market is also expected to improve in the upcoming RBI monetary policy meeting on December 5th.
- Positive cues from global equities also helped Indian equities after reports that U.S. could reach a trade deal with China during the G20 summit however concerns over Brexit deal still pose a threat.

### Positive Economic data

- IIP expanded at 4.5% in September compared to 4.3% in August, due to growth in sectors including electricity, mining, infrastructure and construction.
- CPI moderated to a 13-month low of 3.31 percent, staying below the RBI's medium-term target of 4 percent for the third-consecutive month on favorable base effect in food prices.
- India's trade deficit widened to \$17.13 billion in October from a five-month low of \$13.98 billion a month back. While the widening of trade deficit is a negative, the recent fall in oil prices will ensure that the deficit is contained going ahead.
- Ratings agency Fitch reaffirmed India's 'BBB-' rating, warning that "significant" policy changes were needed to reduce the general government debt level to 60 percent of GDP by March 2025.

### Outlook

- Recovery in Indian rupee continues as fresh FII inflow on positive economic data and dollar selling from exporters, USD-INR may drop to 71.63-71.10 below 72 in near term.

## China Rebar prices remains in range 3950-3870 with negative bias on high production

- Chinese steel prices dropped on expectations that steel output will remain strong as cities impose more flexible production curbs this winter.
- Trade worries also dragged on sentiment, with continuing Sino-U.S. tension Chinese
- Winter output restrictions to combat smog began on Nov. 15, led by northern cities including steelmaking hubs Tangshan and Handan, in Hebei province, and are expected to last through March.
- Unlike last winter, China has allowed cities and provinces to set their own steel output restrictions this year based on their emission levels, ditching the across-the-board limits in 2017.
- Traders are expecting much higher production compared to the same time last year.
- Ahead of the winter limits, China's crude steel output surged to a record 82.55 million tonnes in October.
- Steel demand is also slowing with slow construction activity in winter; new infrastructure projects generally start after Chinese New Year, the lunar New Year falls in February 2019.

### 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 sustains above 3940.

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