

Gold prices back above \$1230 per ounce after FOMCE minutes, G-20 meeting in focus

- The dollar slipped from a two-week high after Powell's comments on interest rates which are just below neutral, raising expectations that the U.S. central bank is closer to the end of its rate hike cycle.
- Trade war - The chances that President Donald Trump and Chinese President Xi Jinping will strike a deal to resolve their escalating trade war have started looking increasingly bleak. Prior to this President Trump is said to move ahead with raising tariffs on \$200 billion in Chinese Goods to 25 percent from the current 10 percent and also repeated the threat to put tariffs on all remaining imports.
- Brexit vote on December 11th – The government is due to publish its economic analysis on the long-term effects of Brexit on the UK. Meanwhile, the PM will visit Scotland and argue that she was "robust" in defending UK fishing in her Brexit talks. MPs are due to vote on May's Brexit deal, which she insists is the only option, on 11 December.
- Italy's Budget fiasco – Italy's government says it will stick to its high-spending budget plans, setting up a potential stand-off with the European Union over its deficit. The European Commission has threatened fines unless Italy revises its plans. Deputy Prime Minister Luigi Di Maio suggested the government might be willing to reduce the deficit target to end the stand-off with the EU saying: "If, during the negotiating process, the deficit has to be reduced a bit, that's not a big deal."
- ECB Stimulus - ECB President said that the euro zone has lost some growth momentum but this was mostly normal and not enough to derail plans by the European Central Bank.
- China's net gold imports in October via Hong Kong doubled from more than seven-year low which it touched in the previous month as lower prices revived demand in the world's top consumer.

Outlook

- Gold traders await fresh direction from key events such as G-20 summit and fed meeting in December months. The precious metal is facing stiff resistance near \$1238 while important support is at \$1195; we may see further consolidation in the \$1195-\$1238 region with negative bias based on Fed meeting expectations.

Brent Oil hovers near \$60 per barrels ahead of OPEC meeting next week, US inventory increased

- Oil prices climbed ahead of an OPEC meeting in Austria on December 6th. OPEC member nations are expected to decide some form of supply cut to counter an emerging glut and softer prices. Saudi Arabia is pushing for an output cut of 1 million to 1.4 million barrels per day (bpd) to avoid oversupply. OPEC meeting is expected to reach a decision for the next six months.
- G20 Summit on November 30th-December 1st - G20 summit is another major focus for market, it remains to be seen if U.S. President Donald Trump and his Chinese counterpart Xi Jinping can de-escalate the U.S.-China trade war.
- Saudi Arabia raised oil production to an all-time high in November and pumped around 11.1-11.3 million barrels per day.
- The World Trade Organization (WTO) said in its latest outlook, published on Tuesday, that "trade growth is likely to slow further into the fourth quarter of 2018", with growth likely at its slowest since Oct. 2016.
- Iran – China payment issue: Iran and China have solved the oil payments issue. China will start oil imports from Iran next week and payment will be made within a month. Washington has granted Beijing a sanctions waiver so it can continue its crude imports of around 360,000 bpd from Iran.
- API Inventory report – U.S. crude supplies rose by nearly 3.5 million barrels for the week ended Nov. 23, gasoline supplies declined by 2.6 million barrels, but distillate stockpiles rose by 1.2 million barrels. Inventories in the Cushing, Oklahoma facility this week had climbed by 1.302 million barrels.
- DOE inventory report – U.S. crude inventories rose 3.6 million barrels to 450.5 million barrels on Nov. 23.

Outlook

- Brent oil may consolidate in the broader range of \$57.50-\$64.40 in the short term, OPEC meeting in focus. Outlook remains negative as Oil supply is expected to increase in near term while oil demand may be negatively impacted.

Steel prices drop post marginal recovery; focus on G-20 trade talks between US and China

- Large supply and thin demand during winter season, keeping steel rebar future under pressure.
- Steel Rebar which is used in construction, however consumption may not recover strongly even post winter as China's economy continues to remain under pressure from faltering consumer spending and property sales.
- Other Steel products such as HRC also dropped as Chinese exports to the United States are expected to slide soon as higher U.S. duties start to bite.
- Rebar stocks at Chinese traders dropped to 3.08 million tonnes in mid-November, the falling stockpiles indicate that the traders are not restocking. They are trying to sell out their stocks and not buy any new stocks as demand continues to weaken.

Outlook

Rebar prices dropped to lowest level in six months on slow construction demand during winter season and increased supply. Further weakness is expected towards 3340-3275 below 3462

Fed comments supported recovery in Copper; focus shifts to G-20 summit

- LME copper is marginally up as Fed comments supported recovery in base metals which gave a indication that interest rate hiking is drawing to a close.
- Copper will get further direction after US-China meet at G-20 summit, market anticipates a positive outcome for these talks.
- US Economic advisor quoted saying that U.S. President Donald Trump is open to reaching a deal on U.S.-China trade irritants over dinner on Saturday with Chinese leader Xi Jinping, however he is also ready to hike tariffs on Chinese goods in case of no breakthrough
- LME warehouse inventory dropped by 525 mt yesterday to 137325 mt, weekly decline remains at 5950 mt.

Outlook

- Copper may not sustain above 6300 in near term unless ongoing tensions between US and China settles during G-20 meeting later this week. Any decline below 6140 may push counter below 6100 towards recent low of 5980. We may see recovery in copper only when trade disputes settles between US and China, any breakout above 6300 may push counter towards next important resistance level of 6400.

Indian rupee continues its recovery, FOMC minutes lift equity market

- Nifty above 10,800 ahead of expiry; Sensex and rupee gains as Brent oil sustains below \$60 per barrel and positive FOMC comments lift sentiments
- Important G20 meeting scheduled during this weekend, market participants are cautious ahead of important meeting between the US and Chinese President
- Brent oil is stabilizing near \$60 per barrel and will support further positive move in rupee.
- The RBI's Monetary Policy Committee will detail its next policy statement on Dec 5.
- Oil prices are declining which is positive for India as CAD may decline below 2% next year, currently CAD is around 2.2% after current decline in Crude oil prices.
- Foreign portfolio investors (FPIs) bought Rs 961 crore worth of domestic stocks in cash market on Wednesday while DIIs sold to the tune of Rs 330 crore in cash market.
- HSBC has upgraded Indian equities to 'neutral' from 'underweight' in the regional context, as investor holdings are very low and valuations are relatively reasonable.

Outlook

- Recovery in Indian rupee continues on fresh declines in crude oil prices last week, focus now shifts towards RBI meeting scheduled for December 5th. USDINR may drop to 200 Day moving average at 68.50 below 71.10 in near term.

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