Gold softens as dollar strengthens; focus on Monthly Non-farm payroll data and Fed meeting

- Gold prices railed as dollar declined from its recent high after US-China meeting at G-20 summit. Markets continue to eye non-farm payroll data this week and fed meeting on December 18th and 19th. Other key events are scheduled as below-
    - Fed Chair Powell Testifies Today - Federal Reserve Chair Jerome Powell will testify on economic outlook before the Joint Economic Committee of Congress on Wednesday
    - UK Services PMI - forecast is for rise to 52.5 in November from the previous month's reading of 52.2, data will be released today at 3PM (IST)
    - US Jobs report on Friday - consensus forecast for jobs growth of 200,000, after adding 250,000 positions in October, and unemployment rate is seen 3.7%.
- US arms control treaty – U.S. delivered Russia a 60-day ultimatum to come clean on violation of an arms control treaty that keeps missiles out of Europe.
- Brexit vote on December 11th – The government is due to publish its economic analysis on the long-term effects of Brexit on the UK. MPs are due to vote on May's Brexit deal, which she insists is the only option, on 11 December.
- Fed Meeting on December 19th - Minutes from FOMC November meeting indicate that another interest rate hike is warranted. However, Fed officials keping the debate open on when the U.S. central bank might pause its monetary tightening and how it would relay those plans to the public, next meeting is scheduled for December 18th and 19th. Gold traders are closely watching the Fed to decide their next course of action.

Outlook

- Weakness in dollar index is pushing gold higher, fresh outlook after monthly nonfarm payroll data this weeks and fed meeting on 1st December 19th. Meanwhile a technical breakout above breaks above 1238 may push the precious metal towards next level of resistance around 1252 and 1266 while above 1221.

LME Copper erases gains after reports of US and China discussion in doubt to resolve key trade issues

- China and the United States agreed to halt an additional tariff in a deal that keeps their trade war from escalating as the two sides try to bridge their differences with fresh talks aimed at reaching an agreement within 90 days. But there has not been any written agreement so far which creates doubt on talks being successful.
- LME warehouse inventory dropped by 4025mt on Friday to 130175mt, 5-days decline remains at 7675mt. Comex warehouse inventory also dried in last five days by 5597mt to 135536mt.
- Premium for imports of copper into China dropped to 18 months low on Monday over demand slowdown.
- Asian equity markets remained negative as doubts over success of US-China trade war
- Chile's state copper miner Codelco, the world's No. 1 copper producer, said on Saturday it had reached agreement on a new collective labour contract with the union of workers at its Ministro Hales mine in northern Chile
- China PMI Data: The official Purchasing Managers' Index fell to 50.0 in November from 50.2 in October against market expectation of 50.20

Outlook

- Positive tariff talk between US and China pushed counter above $6300 per ton but next level of resistance is seen around $6402 per ton, fresh breakout above this level may push counters towards $6454-6573 per ton. Important support level remains near 6164 per ton.

Oil price slumped as US supply increased, focus on OPEC

- Oil prices dropped after API inventory report, focus now on OPEC meeting. Market expects OPEC to implement a production Cut on December 6th meeting at Vienna.
- Inventory Report -
  - (API) reported a crude oil inventory build of 5.36 million barrels for the week ending November 30, compared to analyst expectations of a draw in crude oil inventories of 2.267 million barrels. Inventories in the Cushing, Oklahoma facility this week climbed by 1.44 million barrels. The API reported a build in gasoline inventories for the week ending November 30 of 3.61 million barrels.
  - US crude oil production as estimated by the Energy Information Administration was also bearish in nature, showing that production for the week ending November 23 stood at 11.7 million bpd for a third week in a row.
  - Distillate inventories were up this week by 4.32 million barrels, compared to an expected build of 1.60 million barrels.
  - DOE weekly inventory report on will be released on Thursday
- OPEC Highlight –
  - Saudi Arabia proposed a production cut of 1 million to 1.4 million barrels per day (bpd).
  - Russian President Vladimir Putin and the kingdom's leader Prince Mohammad bin Salman agreed to manage the market at the G20 summit last week.
  - Goldman Sach Report – OPEC and Russia need a cut of 1.3 million bpd to manage over supplied market
  - OPEC members will also discuss Qatar issue as it plans to leave OPEC in January according to the statements from its Energy Minister Saad Sherida al-Kaabi. Qatar produces 600000 bpd out of total 27 million bpd which is nearly 2% of total OPEC production.

- US Oil Supply Cut - Canada's Unprecedented Oil Cut Plan Boosts Crude. According to sources Canada's Alberta province will force producers to cut output by 8.7 percent, or 325,000 barrels per day (bpd), Most of Alberta's oil is exported to the United States.

Outlook

- Brent oil may consolidate in the broader range of $57.50-$64.40 in the short term, OPEC meeting in focus. Global economic growth looking slightly positive after US-China tariff talk while OPEC oil production cut may boost prices from current levels.

China Steel Rebar prices recovers from eight month low on news of stringent winter cut over pollution

- China's construction steel rebar jumped nearly 3 percent due to expectations of tighter restrictions on production.
- Winter Pollution - Tangshan City may summon companies for another closed-door meeting on Wednesday and discussed steps to reduce toxic emissions. A total of 79 Chinese cities have triggered air pollution alerts as severe winter smog covers wide swaths of the country, the official Xinhua news agency reported on Saturday.
- Steel mills utilization rate dropped last week by 1.83% in comparison to previous week but it is much higher as compared to the same period last year.
- Steel product prices are not able to sustain gains as supply worries remains intact.
- U.S. President Donald Trump and his Chinese counterpart Xi Jinping agreed to not introduce any new tariffs for 90 days. U.S. will not increase the existing 10% tariffs on $200 billion worth of Chinese goods to 25%, China has agreed to "reduce and remove" tariffs on American cars from 40 percent currently. But there has not been any written agreement so far which creates doubt on talk being successful.
- We expect this rally to be temporary as steel market is well supplied and demand for manufacturing steel is not rising due to winter season. China has not announced any stimulus to boost demand.

Outlook

- Steel Rebar contract on SHFE found some relief over production cut expectation in China, after a sharp decline to 8 months low, this rally is likely to be short lived as market still expects a stimulus to boost demand. Huge inventory buildup and low demand may push prices back to recent lows in the near term unless some economic stimulus is announced. Counter may face stiff resistance around 3535-3624

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