

## Crude oil up on hope for a positive talk between US-China on January 7<sup>th</sup> & 8<sup>th</sup>

- US-China talk on January 7<sup>th</sup> & 8<sup>th</sup> raised the hope for a positive outcome of ongoing tax tussle and lift oil prices from recent decline. Crude prices had previously fallen after the United States followed most other major economies into a manufacturing downturn.
- EIA Report today - The Energy Information Administration's (EIA), released its weekly crude oil inventory report, crude inventories rose 0.01 percent to 441.418 million barrels on for the week on December 28 from 441.411 million barrel on December 21. Market expected a drop of 3.086 million barrel and Crude inventories rose by 70000 barrel.
- API Inventory Report - U.S. crude supplies fell by 4.5 million barrels for the week ended Dec. 28, gasoline stockpiles climbed by 8 million barrels, while distillate inventories rose by 4 million barrels
- Moody's Investor Service in its annual report, noted that the recent announcement that OPEC and Russia would cut production helps alleviate concerns about oversupply. The question, however, is whether both parties would maintain their production discipline and what might happen in June when the current agreement expires. US shale production will continue to grow, increasing global production and keeping a lid on prices.
- Canada rig count drops - Canada's drilling rig count fell by 61 rigs in the last week of December from a week earlier, with the annual decline at 66 rigs, as per the latest weekly rig count report by Baker Hughes. Over the last two weeks active drilling rigs deployed in Canada fell by a combined 104 to just 70, highlighting obligatory production cuts enforced by the Albertan government to arrest the slide in prices. The production cut will begin at a rate of 325,000 bpd, to be reduced to 95,000 bpd once the excess supply is cleared.

### Outlook

- Brent oil formed short term bottom near \$50 a barrel, further move is seen above \$55.40 towards next level of resistance near \$58.20-62. Further bullishness is seen over OPEC's production cut and drops in US Crude inventory other than drop in Canada rig count.

## Gold bounced back above \$1290 as dollar weakens

- Gold recovered on Monday from losses which are helped by a weaker dollar on expectations that the U.S. Federal Reserve will pause tightening cycle in 2019.
- Gold was under pressure on Friday after a positive US jobs report. U.S. non-farm payrolls report on Friday showed 312,000 net new jobs were created in December, while wages rose at a brisk annual pace of 3.2 percent.
- Precious metals markets may get a fresh update on the outlook for monetary policy from Wednesday's December Federal Reserve meeting minutes and a speech by Fed Chairman Jerome Powell.
- SPDR Gold Trust, the world's largest gold-backed exchange-traded fund, said its holdings rose 0.37 percent to 798.25 tonnes on Friday from 795.31 tonnes on Thursday.
- Brexit Vote - A vote on controversial Brexit deal will take place in the week starting January 14, 2019. The UK voted to leave the EU in a referendum in June 2016 and the formal exit from the economic bloc on Brexit Day - March 29, 2019 - requires a deal cleared by its Parliament. However, without the Parliament's backing for the current deal, there are growing fears of a so-called no-deal Brexit.

### Outlook

- Spot gold may remain firm as global market over political tussle in US Government shutdown. Bias is expected to remain positive with strong support near \$1265. We expect further positive move on a break above 1283 this week, towards next level of resistance around \$1299-1310.

## Copper continued recovery after China's rate cut, focus is on US-China trade talk

- Improved sentiment over stronger demand, helped by renewed hopes over a trade breakthrough between the US and China and additional monetary stimulus from the PBOC, was one factor behind the move. Change in Federal reserve policy will be key event to watch later this week.
- China's central bank said on Friday it was cutting the amount of cash that banks have to hold as reserves for the fifth time in a year, freeing up \$116 billion for new lending as it tries to reduce the risk of a sharp economic slowdown.
- US-China trade talk on January 7<sup>th</sup>-8<sup>th</sup> - U.S. President Donald Trump said on Sunday that trade talks with China were going very well and that weakness in the Chinese economy gave Beijing a reason to work toward a deal after leaders in December agreed to a 90-day truce in a trade war that has roiled international markets.

- Morgan Stanley said it expected China and U.S. policy makers to manage a slowdown in economic growth: “We believe that China’s growth will bottom in 1Q19, while the Fed has begun to signal some flexibility on its balance sheet policy, if there is a material deterioration in the growth outlook.”
- Inventory Report - LME Copper warehouse stock increased by 2675 mt in last one week to 132400mt, with net change of -56percent in last six month. SHFE Copper warehouse stock decreased by -1812 mt in last one week to 108890mt, with net change of -59percent in last six month. Comex Copper warehouse stock decreased by -3859 mt in last one week to 108510mt, with net change of -52percent in last six month.

#### Outlook

- LME Copper 3M contract continued recovery from recent low of 5727 on positive outlook after China cut banks’ reserve requirements, further positive outlook may hit if US and China conclude 2 days tariff talk starting from today, on a positive note. Immediate level of resistance is seen near 5950 and any positive close above this may push counter towards 6080-6233 in medium term.

### China Steel Rebar - Marginal recovery in seen post RRR cut, focus is on US-China talk

- China’s central bank said on Friday it was cutting the amount of cash that banks have to hold as reserves for the fifth time in a year, freeing up \$116 billion for new lending as it tries to reduce the risk of a sharp economic slowdown.
- China’s factory activity contracted for the first time in over two years in December, highlighting the challenges facing Beijing as it seeks to end a bruising trade war with Washington and reduce the risk of a sharper economic slowdown in 2019.
- Morgan Stanley said that China and U.S. policy makers to manage a slowdown in economic growth they believe that China’s growth will bottom in 1Q19, while the Fed has begun to signal some flexibility on its policy are turning positive for sentiments in short term.
- Inventory - Due to the weakening demand, both social inventory and steel mill inventory showed a cumulative trend. At present, the market supply and demand for steel is weak. The spot market price is mostly affected by the financial market. It is expected that the short-term market price will be weak along with the market.
- It is expected that Chinese domestic steel market will show a strong supply and weak demand pattern in 2019.

#### Outlook

- US-China trade talk in focus, outlook for SHFE Steel Rebar future contract turning positive after China announced to cut RR rates. As counter moves above 3573, more bullish move can be seen towards next level of resistance around 3702 in short term. Meanwhile key support level remains near 3443 and any close below this level may push counter towards 3400-3350.

### Indian Rupee recovered on trade deficit data and smart recovery in equities

- Currency market sentiments were driven by the narrowing trade deficit of India in November along with smart gains in domestic equities. Commerce ministry data, India’s trade deficit came down to USD 16.67 billion in November 2018 from USD 17.13 billion in October this year.
- US-China talks – Financial markets are positive on Monday expectations that face-to-face trade negotiations between delegates from Washington and Beijing, due to start on Monday, would lead to an easing in tensions between the two biggest economies in the world.
- Rising crude oil prices is a reason to worry for domestic currency; Oil rises on US-China trade talks that could soon resolve the trade war between the United States and China, while supply cuts by major producers also supported the market.
- FIIs and DIIs Data - Foreign funds (FII’s) sold shares worth Rs. 157.72 crore, while Domestic Institutional Investors (DII’s) bought shares to the tune of Rs 240.60 crore on January 4<sup>th</sup>. In January 2019, FIIs net sold shares worth Rs. 1799.78 crore, while DII’s were net sellers to the tune of Rs. 1657.20 crore.

#### Outlook

- Positive macro data is supporting positive move in Indian rupee though short term worries over rising crude oil prices remains intact. USD-INR pair may face minor resistance near 20 days moving average around 70.60 and may close above this may push counter towards 100 days moving average of 71.50. Short to medium term strong support remains near 69.50

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