## Copper in range after US-China tariff talks, poor economic data from China weighed on the prices

- Copper continues to trade in the range of 5900-6000 after U.S.-China trade talks and poor CPI data from China weighed, but a weaker dollar and still supply-side conditions kept losses in check.
- Chinese Economy-
  - China said the three days of talks in Beijing had established a "foundation" to resolve the two country's differences, but gave virtually nothing in the way of details on key issues at stake.
  - The Producer Price Index in December rose 0.9 percent from a year ago, lower than the 1.6 percent market expectations. Consumer Price Index — a gauge of prices for goods and services — rose 1.9 percent on year in December, against expectations of a 2.1 percent growth.
  - A U.S. delegation returned home on Wednesday after a three-day round of trade talks in Beijing. The American side released a statement noting a long list of outstanding issues in the relationship, but also recognizing that China had pledged to buy "a substantial amount" of goods and services from the U.S. Chinese official said the government was contemplating policies to increase domestic buying of automobiles.
  - 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.
- Mining News-
  - India's Supreme Court on Tuesday cleared the way for Vedanta to reopen its south Indian copper smelter by refusing to stay an order from the country's environmental court.
  - Copper concentrate exports from Indonesia's Grasberg mine, the world's second-largest copper mine, forecast to plunge this year because of a lag in output as operations move from open pit to underground mining, a government official said on Wednesday.
  - Copper production in Chile, the world's top producer of the red metal, reached 5.33 million tonnes in November, a 6 percent increase over the same period of the previous year.
  - Mining firm Anglo American Plc is betting on South America as its main growth area for base metals in the coming years.
- Inventory Report - LME Copper warehouse stock increased by 1200 mt in last five days to 133600mt, with a net change of -55percent in last six month. Comex Copper warehouse stock decreased by -4652 mt in last five days to 104493mt, with a net change of -54percent in last six month.

Outlook

- LME Copper 3M contract continued recovery from the recent low of 5727 on positive outlook after China cut banks' reserve requirements, US-China trade talks helped to improve sentiment. Though negative macroeconomic data halted the current rally. Immediate level of resistance is seen near 5950 and any positive close above this may push counter towards 6080-6233 in the medium term.

## Gold corrects from seven months high, US-China trade talks and dollar recovery in focus

- Gold prices are consolidating near seven-month high, US-China talks and Fed minutes has kept gold in a tight range. Marginal recovery in the dollar from three-month lows has also been weighing on prices.
- Fed minutes- Federal Reserve officials expressed increasing worries when they met last month, as they grappled with volatile stock markets, trade tensions, and uncertain global growth. The threats, they said, made the future path of interest rate hikes "less clear." The Fed trimmed its projection of possible rate hikes from three to two for 2019.
- SPDR Gold Trust, the world's largest gold-backed exchange-traded fund, said its holdings dropped -0.19 percent to 797.71 tonnes on Thursday from 799.18 tonnes on Wednesday
- Central Bank Holding - India raised its gold holdings by 6.54 tonnes to 598.59 tonnes in 2018 November, according to International Monetary Fund data. China gold reserves rose to 59.560 million fine troy ounces at December end, the first increase since October 2016.
- Brexit Vote – vote on Theresa May's Brexit deal has been rescheduled for January 15
- Trade talk - China said the three days of talks in Beijing had established a "foundation" to resolve differences, but gave virtually nothing in the way of details on key issues at stake.

Outlook

- Spot gold may remain firm as the global market over political tussle in US Government shutdown, bias is expected to remain positive with strong support near $1265. FOMC minutes indicate only two rate hikes in 2019 from earlier expectations of three hikes is termed to be positive for bullion. We expect a further positive move on a break above 1283 this week, towards next level of resistance around $1300-1310.

## Crude oil remains firm after Saudi comments on production cut

- Oil slipped as concerns over the outlook for the global economy weigh on, but output cuts agreed by major exporters underpinned crude prices and kept markets strong
- Inventory- the U.S. Energy Information Administration said crude inventories declined by 1.68 million barrels for the week ended Jan 4. The EIA said refiners operated at 96.1% of capacity last week, the first full working week of 2019. API reported a draw of 6.127 million barrels for the week ended Jan 4, compared to expectations of 3.300 million barrels.
- Saudi Comment - Saudi Arabia was pumping about 800,000 barrels less a day from the record high of 10.2 million barrels per day in November. The amount it would ship overseas in February would be another 100,000 bpd less than January's 7.2 million bpd.
- OPEC Cut - Supply cuts announced late last year by the OPEC start to kick in. OPEC oil supply fell by 460,000 barrels per day (bpd) between November and December, to 32.68 million bpd. OPEC, Russia and other non-members - an alliance better known as OPEC+ agreed in last December to reduce supply by 1.2 million bpd in 2019 versus October 2018 levels, OPEC's share of cut is 800,000 bpd.

Outlook

- Brent oil formed a short-term bottom near $50 a barrel, crude is likely to face stiff resistance around $63.73, while key support remains near 60.44-59.05, the overall trend is turning positive on OPEC's production cut and a decline in US Crude inventory. The positive outcome of US-China trade talk is keeping bullish momentum alive. Weekly inventory report and OPEC product levels are being closely watched.

## China Steel Rebar corrects demand concern, inventory & production levels are being watched closely

- Chinese construction steel rebar futures traded marginally lower, concerns about the state of the economy after US-China trade talks are being watched closely, although China has pledged to boost domestic spending and control steel capacity.
- China's industry minister said that the country will further lower tax rates on the manufacturing industry. China also plans to introduce policies to boost domestic spending on items such as automobiles and home appliances.
- Mills - Some mills have already hiked prices for February and March delivery as they expect stronger demand after Chinese new-year in February. Steelmaking city of Tangshan has issued a smog alert, effective from Jan. 8 to Jan. 14, asking steel mills to cut sintering output by 30 percent to 60 percent, or shut completely depending on emission levels.
- Stocks of steel products held by Chinese traders, an indicator of demand in the country, rose by 453,200 tonnes as of Jan. 11 to 8.83 million tonnes, data compiled by private consultancy showed.
- China Car sales- The China Passenger Car Association has reported that car sales fell by 6% in 2018 to 22.7 million units last year. China Dec. Retail passenger vehicle sales were reported to be -19% on year. The 25% slump in the Chinese stock market in 2018 will also hit many consumers in the pocket.

Outlook

- US-China trade talk in focus, the outlook for SHFE Steel prices for flat and long steel turning positive after China announced to cut RR rates and supporting move for domestic spending on automobiles and home appliances. As Rebar prices move above 3573, a further bullish move can be seen towards the 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.

## Weak dollar pushes Indian rupee marginally, Equity Index and Crude move being closely watched.

- The Indian rupee gains marginally against the US Dollar, as greenback slide on global cues. Rising crude prices and some demand for the American currency from importers may keep rally limited.
- Oil slips marginally from this week's high on economic worries, but still set for a strong weekly gain
- US-China talks – China says trade talks with the US were extensive, promoted mutual understanding. The US delegation was supposed to end its visit on Tuesday. However, the vice-ministerial talks were extended till Wednesday which China said reflected the seriousness of the negotiations.
- FIIs and DIIs Data - Foreign funds (FII's) sold shares worth Rs. 344.58crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs 10.98 crore on January 10th. In January 2019, FIIs net sold shares worth Rs. 1685.82 crore, while DII's were net sellers to the tune of Rs. 1543.24 crore.

Outlook

- Positive macro data is supporting positive move in Indian rupee though short-term worries over rising crude oil prices remain intact. USD-INR pair may face minor resistance near 20 days moving average around 70.50 and close above this and may push it towards 100 days moving an average of 71.60, short to medium term strong support remains near 69.70

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