

LME Copper continued bullish move as US-China tariff talk improved

- Copper recovered and is trading higher as investors hopeful for a positive conclusion from the ongoing tariff talk between US-China
- US-China tariff talk - Trump administration officials held a call with their Chinese counterparts on Tuesday, formally kicking off the latest round of talks to end the US-China trade war. China's repeated commitments to buying US products and lowering auto tariffs shows that Beijing is committed to easing the trade tensions. But the arrest of Huawei CFO Meng Wanzhou and the Trump administration's actions to confront China in other areas could cast a shadow over the talks.
- China purchases US Soybean - Chinese companies have made their first major purchases of U.S. soybeans in more than six months, same time China also looked to have toned down a high-tech industrial push that has long irked US President trump.
- Chile Mine BHP said on Wednesday a deal to sell its Cerro Colorado copper mine in Chile to private equity fund EMR Capital had been called off because of problems with financing.
- Concerns remained over lackluster demand from China after copper imports fell 3 percent in November. China's imports of copper came in at 456,000 tonnes in November, down from 470,000 tonnes a year earlier but up 8.6 percent from October. Copper concentrate imports fell 4.6 percent year-on-year to 1.699 million tonnes.
- U.S.-China trade dispute remains the "largest downside risk for global and Chinese economic outlook. Equity markets were down over arrest of a top Chinese executive in Canada which diminished hopes for a resolution of the U.S.-China trade conflict.'

Outlook

- LME Copper 3M contract may find support if Fed decides not to hike interest rates further in 2019, Even copper receiving support from positive US-China talk, it should not break below 6000 in near term while important resistance seen at 6200, any positive break above this level may push counter higher till 6356-6394.

China Rebar recovered further over production cut and hope of more infrastructure projects next year

- Chinese steel prices continued rally, with top steelmaking city Tangshan planning further production cuts this month as it races to meet its air quality target this year. Tangshan, which accounts for about 10% of China's total steel output, ordered industrial plants, including steel mills, to reduce output by an average 40 percent from Dec. 13 to 31,
- Additional infra Project next year just after Chinese New year - China could launch more infrastructure projects next year which could boost demand in the world's top steel consumer. The Chinese government has tweaked its priorities to focus more on infrastructure, exports and fighting water pollution while slowing efforts to reduce capacity in coal and steel industries, state media reported on Wednesday.
- China's steel exports remain weak, which is likely to increase risks of oversupply in the domestic market, China's steel shipments dropped nearly 9% to 63.78 million tonnes in January-November.
- Crude steel output in the China is expected to reach a record of 923 million tonnes, the China Metallurgical Industry Planning and Research Institute said. Increased supply has shrunk profit margins at steel producers.
- The slowing demand during winter season is easing consumer prices unless government provides some monetary stimulus to Chinese producers and economy.

Outlook

- Steel Rebar future contract bounced from 3415 may face minor resistance near 3520 as demand remains stable during winter but fresh production cut measures and forecast of more infra projects next year may push prices above this resistance. Any close above 3520 will push counter towards 3556-3600 in near term.

Rupee recovery continues as domestic equities remain firm

- The rupee continued it rally after the new RBI governor Shaktikanta Das took charge and emphasized the need of a consultative approach to tackle various economic issues. Higher opening of domestic equity markets and weakening of the US dollar against some currencies in global market also boosted uptick in rupee. The new RBI governor's first speech also confirms that he is likely to be more communicative and consultative in his approach.
- Recover in domestic equities market was supportive for fresh recovery in Indian rupee against dollar. Crude oil prices remains in tight range and global equity market also found some support after US-China tussle.

- Crude Oil in range - After last week's OPEC+ rally which pushed Brent back up to \$63.70/bbl. the spot price has drifted lower and now trade around \$60.0/bbl and is likely to remain around these levels in the short-term. A lack of any fresh drivers has taken the volatility out of oil and price action is expected to stay muted until 2019.
- Foreign funds (FII's) sold shares worth Rs 1299.43 crore, while domestic institutional investors (DIIs) bought shares to the tune of Rs 1121.29 crore on December 12th. In December 2018, FIIs net stood at Rs. -4469.79 crore while DII's net at 964.53 crore.

Outlook

- USD-INR pair is forming short term bottom near 69.78 and if it sustains above 71.20, it may see a further move towards 50 days moving average near 72.68.

Brent oil prices stabilize above \$60 over US Crude inventory drop and Iranian oil minister comments

- Crude pared gains after reports that Iran's Oil Minister Bijan Zanganeh told state television that the OPEC had been unfriendly toward Iran which is third largest oil producer in the cartel.
- OPEC said on Wednesday it had offset a drop in sanctions-hit exports from Iran. Iran's President Hassan Rouhani also said on state TV on Tuesday that exports have improved since early November.
- Oil prices also following reports of a production loss of 315,000 barrels per day (bpd) from the El Sharara oilfield, which was seized at the weekend by a local militia group. Libya's National Oil Company (NOC) declared force majeure late Monday on exports from the El Sharara oilfield, which was seized at the weekend by a militia group. It will result in a production loss of 315,000 barrels per day (bpd), and an additional loss of 73,000 bpd at the El Feel oilfield.
- API Inventory - crude oil inventory draw 10.18 million barrels for the week ending December 7, compared to analyst expectations for a draw of 2.990 million barrels. Inventories in the Cushing, Oklahoma facility this week had climbed by 642,000 barrels.
- EIA Inventory Report - U.S. crude inventories fell by 1.2 million barrels in the week to Dec. 7 according to the EIA reports. However, the decline was less than expected, as markets previously forecasted a decrease of 3 million barrels.

Outlook

- Brent oil bounced after production cut announced by OPEC and non-OPEC countries, monthly OPEC production report and weekly US crude oil inventories are likely to be watched closely. Immediate bottom is near \$57.50 per barrel but confirmation is due unless it crosses its stiff resistance of \$64.40 per barrel.

Spot gold trades near \$1250 per ounce, eye on fed meeting next week

- Dollar slipped and Gold recovered as expectations of U.S. interest rate hikes next year dimmed.
- British Prime Minister Theresa May's Conservatives gathered enough support to trigger a no-confidence vote in her leadership on Wednesday. Brexit in focus as gold finds support over political uncertainty in UK.
- The U.S. Federal Reserve could pause its rate hike cycle sooner than anticipated, Gold is sideways given the uncertainties around the pace of Fed rate hikes, the Brexit deal and U.S-China trade talks
- US CPI - US consumer prices unchanged in November, amid decline in gasoline prices. The CPI Index was unchanged in November and the year-over-year rate dropped from 2.5% to 2.2%.
- The Fed is widely expected to raise rates at its Dec. 18-19 meeting, but the market is focusing on how much further it might lift rates next year, after recent comments by Fed members to decide the monetary policy based on data have been taken as a signal for lower rate hikes in 2019. Fed meeting is scheduled for December 18th and 19th. Gold traders are closely watching the Fed to decide their next course of action.
- SPDR Gold Trust - Holding rose to highest level since late Aug'18.
- India raised gold holdings by 5.6 tonnes to 592.06 tonnes in 2018 October, according to IMF Data.

Outlook

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

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