

Brent oil below \$70 after President Trump calls on OPEC not to cut supply

- U.S. President Donald Trump is putting pressure on OPEC to maintain supply.
- President Trump tweeted on Monday that Oil prices should be much lower based on supply, Saudi Arabia and OPEC will not be cutting oil production
- WTI and Brent have shed more than 20% in value since early October.
- Prior to this Saudi Energy Minister Khalid al-Falih said that there was a need to cut oil supply next year by around 1 million barrels per day (bpd) from October levels to prevent oversupply.
- U.S. crude production, already at a record of 11.6 million barrels per day (bpd) and expected to break through 12 million bpd in 2019 (as per report from a leading bank), making the United States "energy independent".
- Dollar index at 16 month high is weighing on demand as oil in dollar terms is expensive for oil importing countries.

Outlook:

- Oil supply is expected to increase in near term as US president Trump called on OPEC to not cut supply; Oil prices could remain weak. A break below 69.80 could see oil declining towards 66.54 and 65.49.

Gold at new monthly low as dollar index hits 16 Months high

- Dollar index at a 16-month high is putting pressure on gold prices. Dollar boosted by the U.S. Federal Reserve's hawkish interest rate policy and political uncertainty in Europe.
- The Federal Reserve indicated that it would raise rates in December along with two more hikes by mid-2019. Fed is in a comfortable situation to increase interest rates as US unemployment rate is at a five-decade low of 3.7 percent along with good wages growth. Average hourly pay rose in October from a year earlier at the fastest pace in nearly a decade.
- Brexit - European Union chief negotiator Michel Barnier warned ministers from member states that no deal has been sealed yet on Britain's departure from the bloc. If there is no deal in November, the crisis could drag on until EU summit on December 13.
- Italy Budget - Italian bond yields rise as deadline on budget plan looms, Italy's finance minister Giovanni Tria is reportedly set to revise the budget's growth forecast to reach a compromise with the European Commission.

Outlook:

- Gold is looking weak as it trades near key support level of \$1202 per ounce after Dollar index rallied to 16 month high over positive economic data. Latest development of US Midterm election and fed interest rates worries are supporting this move. Brexit and Italy's Budget fiasco are key events to watch out for. Next level of support is seen around \$1186 per ounce.

China Steel Rebar - demand is slowing due to weak seasonality

- Shanghai rebar steel prices dropped 4%, prices were pressured by worries over slowing demand in China over winter, traditionally a weak period for construction activity
- Price Cut: Major Chinese steelmaker Baoshan Iron and Steel will cut prices for key steel products by as much as 200 yuan per tonne for December.
- Winter production Curb in Hebei from November 16: Steel prices got little support as Hebei's local government, the largest steel-producing province, had issued a "orange" smog alert, requiring steel mills to halve their output levels until November 16.
- Steel Output: Ahead of China's winter curbs where cities are ordered to reduce steel output to limit smog, the country's crude steel output averaged 2.7 million tons in September.

Outlook

- Slowing demand during winter may push rebar prices much lower from these levels, as key support level is broken near 3907 the next zone to watch out is 3823-3740.

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