

Gold remains firm as dollar declines, Asians equity sell-off continued from Friday

- Gold prices are consolidating near seven-month high as the dollar declined and equity sell-off continued in the Asian market. Gold remained firm on expectations that the U.S. Federal Reserve will not raise rates this year.
- Asian markets dropped after lackluster China data reflected a slowdown in the world's second-largest economy.
- 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.
- 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 59.56 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
- US Government Shutdown - The partial government shutdown has now become the longest in US history. President Trump is refusing to approve a budget unless it includes \$5.7bn (£4.5bn) for a wall along the Mexican border.

Outlook

- Spot gold may remain firm as sell-off in equity market supporting the precious metal after poor Chinese economic data. Gold is facing stiff resistance between 1290-1310 while key support remains near 1283-1265. US Shutdown and Brexit vote increasing geopolitical risk and safe haven appeal may push gold prices higher from current levels.

Copper down on disappointing Chinese trade data, economic slowdown may weigh on demand

- Copper prices on both the London and Shanghai exchanges on Monday fell after China reported lower-than-expected export and import figures for December.
- Chinese Economy-
 - China's December exports unexpectedly fell 4.4 percent from a year earlier, the biggest monthly drop in two years, pointing to further weakening in the world's second-largest economy, while imports also unexpectedly contracted, falling 7.6 percent.
 - 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.
 - China plans to set a lower economic growth target of 6-6.5 percent in 2019 compared with last year's target of "around" 6.5 percent, higher US tariffs and weakening domestic demand.
- 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 1300 mt in last five days to 133700mt, with the net change of -55percent in last six month. SHFE Copper warehouse stock decreased by -20707 mt in last one week to 97979mt, with the net change of -63percent in last six month. Comex Copper warehouse stock decreased by -5411 mt in last five days to 103099mt, with the net change of -54percent in last six month.

Outlook

- Copper holding in the tight range of 6000-5883 from last 2 weeks with a negative bias after poor Chinese economic data. Fear of economic slowdown may weigh on copper prices and any break below 5883 may push counter till 5727-5637 in the near term.

Crude oil corrects marginally after poor Chinese export- import data

- Oil slipped marginally post poor import-export figures, as concerns over the outlook for the global economy weigh, but output cuts agreed by major exporters underpinned crude prices and kept markets strong

- China's exports for December unexpectedly declined the most in two years and imports contracted too, pointing towards further weakness in the world's second-largest economy in 2019 and deteriorating global demand. China posted its biggest trade surplus with the United States on record in 2018, which could prompt President Donald Trump to turn up the heat on Beijing in their non-cooperative trade dispute.
- Softening demand in China is already being felt around the world, with slowing sales of goods ranging from iPhones to automobiles prompting profit warnings from the likes of Apple and Jaguar Land Rover.
- The dismal December trade readings suggest China's economy may have lost more momentum late in the year than earlier thought, despite a slew of growth-boosting measures in recent months ranging from higher infrastructure spending to tax cuts.
- US-Canada Rig counts- In the United States, drillers cut 4 oil rigs in the week to Jan. 11, bringing the total count down to 873, energy services firm Baker Hughes said in a weekly report on Friday. Canada's oil and gas rigs increased by 108 rigs to 184 in last week but still 92 less than the previous year. Canada's falling rig count is likely due in part to a new mandate that called for the country to collectively shave 300,000 bpd off its crude oil production figures.
- 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 – agreed to reduce supply by 1.2 million bpd in 2019 versus October 2018 levels.

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 58.74-56.50, the overall trend is turning positive on OPEC's production cut and a decline in US Crude inventory but poor economic data from China may weigh on prices. Weekly inventory report and OPEC product levels are being closely watched.

Indian rupee declined further following sell-off into equities and rising crude oil prices.

- Indian rupee remained weak following sell-off in Asian equities after Chinese data weigh on
- Poor IIP data - IIP rose at a slower pace in November at 0.5% compared to growth of 8.1% in the previous month.
- Oil prices remain in the range near \$60 per barrel following production cut by OPEC+ nations.
- 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. 687.20 crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs 123.17 crore on January 11th. In January 2019, FIIs net sold shares worth Rs. 2373.02 crore, while DII's were net buyers to the tune of Rs. 1321.54 crore.

Outlook

- Selling in Asian equities following poor Chinese data along with weak domestic number may support further decline in Indian rupee. Rising crude oil prices may increase Indian import bill and trade deficit may rise from current levels. Key resistance level is broken near 70.80, next level is seen near 72.60 while important support remains near 70.4-69.90

China Steel Rebar rise as restocking continues by local traders

- Chinese construction steel rebar futures traded higher as traders continued restocking as positive demand outlook is seen post-winter months
- Market sentiment was positive following the approval of several infrastructure projects by the Chinese government, which will be rolled out from the second quarter of 2019.
- Poor Economic data- China's exports unexpectedly declined the most in two years in December and imports also contracted, pointing to further weakness in the world's second-largest economy in 2019 and deteriorating global demand. China posted its biggest trade surplus with the United States on record in 2018, which could prompt President Donald Trump to turn up the heat on Beijing in their cantankerous trade dispute.
- Lower Tax - China's industry minister said on Thursday that the country will further lower tax rates on the manufacturing industry and will "strictly prohibit" the expansion of new iron and steel projects in 2019. China plans to introduce policies to boost domestic spending on items such as automobiles and home appliances this year as part of wider efforts to strengthen consumption, a senior official at the country's top state planner said.

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.

ABans Group

Founded in 2005, under the leadership of the Group Chairman Mr. Abhishek Bansal, ABans Group has grown from being a trading house to a dynamic and diversified business group. We provide expertise in Broking Services, Financial Services, Non-Banking Financial Services, Gold Refining, and Realty & Infrastructure. In a nutshell, ABans Group is a comprehensive Financial Services conglomerate, providing end-to-end financial services to all its clients.

Contact Details

Abans Broking Services (P) Limited

36, 37, 38A, 3rd Floor, 227 Nariman Bhavan,
Backbay Reclamation, Nariman Point,
Mumbai - 400 021
Phone +91-22-61790000 Fax +91-22-61790010
Email: info@abans.co.in Website : www.abans.co.in

Social Media



Disclosure & Disclaimer: ABans Broking Services Pvt. Ltd. (ABSPL)

Prepared By:

Mr. Kamlesh Jogi, Market Research Analyst

E-mail: kamlesh.jogi@abans.co.in

Phone: +91-22-68354176 (Direct)

Communication Address: 36, 37, 38A, 3rd Floor, 227 Nariman Bhavan,
Backbay Reclamation, Nariman Point,
Mumbai - 400 021

Membership Details:

MCX Member ID: 40385 / SEBI Reg. No. INZ000032733;

NCDEX: Member ID F00681 / SEBI Reg. No. INZ000032733

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as **the Regulations**). **ABans Broking Services Pvt. Ltd. (ABSPL)** is a SEBI Registered Research Analyst having registration no. **INH000006369**. **ABSPL**, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock Broking services. **ABSPL** is a subsidiary company of ABans Finance Pvt. Ltd. (AFPL). AFPL is an NBFC, registered with the RBI, in the category of non-acceptance of public deposits.

One of the group companies of **ABSPL** is ABans Securities Pvt. Ltd. (ASPL) which is a SEBI registered member with NSE, BSE and MSE stock exchanges. ASPL is also a Depository Participant of CDSL. ABans Commodities Pvt. Ltd. (ACIPL) is another group entity which is also a registered member with MCX in the Commodity segment. Further details are available on the group website www.abans.co.in

Mandatory Disclosures as per the Regulations:

- **Ownership & Material conflicts of interest –**
 - Whether the Research Analyst or ABSPL, or his associate or his relative has any financial interest in the subject company and the nature of such financial interest – No
 - Whether the Research Analyst or ABSPL, or its associates or relatives, have actual/beneficial ownership of 1% or more securities of the subject company, at the end of the month immediately preceding the date of publication of this research report or date of the public appearance - No
 - Whether the Research Analyst or ABSPL, or his associate or his relative, has any other material conflict of interest at the time of publication of this research report or at the time of public appearance –No
- **Receipt of Compensation –**
 - Whether **ABSPL**, or its associates have received any compensation from the subject company in the past twelve months – **No**
 - Whether **ABSPL**, or its associates have managed or co-managed public offering of securities for the subject company in the past twelve months – **No**
 - Whether **ABSPL**, or its associates have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months – **No**
 - Whether **ABSPL**, or its associates have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months – **No**
 - Whether **ABSPL**, or its associates have received any compensation or other benefits from the subject company or third party in connection with the research report – **No**
- Whether **the Research Analyst** has served as an officer, director or employee of the subject company – **No**
- Whether **the Research Analyst** or **ABSPL** has been engaged in market making activity for the subject company – **No**
- Other material disclosures, if any

Disclaimer:

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Neither ABans Broking Pvt. Ltd. (ABSPL), nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information. The document is not, and should not be construed as an offer to sell or solicitation to buy any securities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from "ABans Broking Services Private Limited". Your feedback is appreciated on compliance@abans.co.in