

Indian rupee lost further on Brent oil rebound post marginal losses

- Indian rupee is trading weak following crude recovery and poor Chinese economic data
- Oil rises 1 percent on supply cuts, but economic slowdown weighs on outlook

India Economic data -

- Retail inflation dropped to an 18-month low of 2.19 percent in December 2018, creating more space for the RBI to cut interest rate in its monetary policy review next month.
- IIP rose at a slower pace in November at 0.5% compared to growth of 8.1% in the previous month.

FII's and DII's Data

- Foreign funds (FII's) sold shares worth Rs. 732.46 crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs 527.4 crore on January 14th. In January 2019.
- FIIs net sold shares worth Rs. 3105.48 crore, while DII's were net buyers to the tune of Rs. 1849.03 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.

Crude oil recovers some losses on supply cut from OPEC

- Oil prices rebound after falling 2% on weak Chinese trade Data, softening demand in China is already being felt around the world.
- The disappointing trade data suggests that China's economy may have lost 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.
- The impact of OPEC+ cuts and Iran sanctions were cited as providing continuing support for oil prices. The Organization of the Petroleum Exporting Countries (OPEC) and some non-OPEC allies, including Russia, agreed in late 2018 to cut supply to rein in a global glut.
- The American Petroleum Institute will report inventory levels of US crude oil, gasoline and distillates stocks on Tuesday while The Energy Information Administration's (EIA) Crude Oil Inventories data will be released on Wednesday.
- China's crude imports in Dec'18 rose 29.9% year on year to an average 10.35 million b/d. Imports in 2019 are likely to rise but the rate would slow because of a high base in 2018.

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 production levels are being closely watched.

Gold trades in a range of 1288-1296 before the crucial Brexit vote

- Gold prices are consolidating near seven-month high before Brexit vote. Gold is firm on expectations that the U.S. Federal Reserve will not raise rates this year.
- Britain's exit from the European Union and a prolonged partial government shutdown in the United States may keep gold higher from last 2-3 weeks.
- Gold prices received support from weakness in the world's second-largest economy China and prompted investors to seek safety in the precious metal.
- Gold rallied after Fed Chairman Jerome Powell reaffirmed that the central bank could remain patient on monetary policy, downplaying suggestions that interest rates would be raised twice in 2019.

Outlook

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

Copper continues to trade sideways, economic slowdown may weigh on demand

- Copper prices remain in the range of \$5968-\$5877 per ton on LME after poor trade data from China weigh on the demand for the metal.

China 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 by 7.6 percent.
- 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.

China Copper Import

- China imported 431,000 mt of unwrought copper and copper semis in December, down 6.3% month on month and 4.22% year on year, China's copper imports in November stood 3% lower than November 2017, first year-on-year decline in 2018.
- Imports of unwrought copper and copper products came in at 5.3 million mt in 2018, up 12.9% from 2017 as restrictions on copper scrap imports prompted Chinese copper processors to use more copper cathode.

Outlook

- Copper is trading in tight range of 5968-5877 from last 2 days with a negative bias after poor Chinese economic data. Fear of economic slowdown may weigh on copper prices and any break below 5877 will take copper towards 5727-5637 in the near term.

China Steel Rebar corrects marginally on demand concern after poor trade data

- Steel Rebar prices corrected marginally on poor trade balance data but recovered later on hope for a fiscal stimulus
- China's National Development and Reform Commission (NDRC) on Tuesday signaled it may roll out more fiscal stimulus measures to stem a further economic slowdown.
- Steel Industry under pressure on poor profit margins - China's steel industry will shift its focus in 2019 towards optimizing capacity structure, including products, location, and ownership, from reducing overall capacity, Yu Yong, the chairman of China Iron and Steel Association told an industry meeting on Monday.
- Chinese traders continued restocking as positive demand outlook is seen post-winter months.

Outlook

- US-China trade talks in focus, the outlook for SHFE Steel prices for flat and long steel turning positive after China announced to cut RR rates and supportive 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.

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