

Crude oil recovers on inventory drop, OPEC cut and stimulus hope for China

- Oil prices remain supported by China's plan to introduce policies to stabilize a slowing economy. Drop in crude oil inventory and OPEC production cut keeping prices higher.
- API Inventory Report- Crude oil inventory draw of 650,000 barrels for the week ending Jan 11 against the expectation of 2.5 million barrels. Inventories in the Cushing, Oklahoma facility this week fell by 796,000 barrels. Distillate and gasoline inventories increased this week by 3.214 million barrels and 5.99 million barrels respectively.
- The Energy Information Administration's (EIA) Crude Oil Inventories data will be released on Wednesday.

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. Hope for economic stimulus after poor economic data in China is increasing the bullish bets.

Indian rupee above 71 against the rising dollar and higher Brent oil prices

- Indian rupee is trading weak following crude recovery and a stronger dollar
- US crude rises 3.2%, settling at \$52.11, on hopes for China economic stimulus

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 rates 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.

FIIs and DIIs Data

- Foreign funds (FII's) bought shares worth Rs. 159.60 crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs 417.44 crore on January 15th.
- In January 2019 FIIs net sold shares worth Rs. 2945.8 crore, while DII's were net buyers to the tune of Rs. 2266.47 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 hold range between 3570-3650, hope for stimulus is keeping price firm

- China's National Development and Reform Commission (NDRC) on Tuesday signaled it may roll out further fiscal stimulus measures to stem a further economic slowdown.
- 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 it towards 3400-3350.

Gold trades in a range of 1288-1296 before the confidence vote in the UK

- Gold prices are consolidating near seven-month high after 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. Prime Minister Theresa May's Brexit deal has been rejected by 230 votes - the largest defeat for a sitting government in history. The confidence vote is scheduled for Wednesday.
- Gold prices received support from weakness in the world's second-largest economy China and prompted investors to seek safety in precious metals. The market remains lackluster as China may introduce policies to stabilize slowing economy.
- 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 is trading in range after Brexit vote failed in UK parliament and today's confidence vote becomes very crucial. 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 is likely to push gold prices higher from current levels.

Copper continues to trade sideways, stimulus hopes in China limits the losses

- Copper prices remain in the range of \$5970-\$5870 per ton on LME as the dollar weakened. Stimulus hope from China is keeping base metals supported at lower levels.
- China signaled further stimulus measures in the near term, and aim to achieve "a good start to 2019" in the first quarter after continuous weak economic data.

Inventory report

- LME Copper warehouse stock increased by 1250 mt in last five days to 133600mt, with the net change of -55percent in the last six month.
- Comex Copper warehouse stock decreased by -7293 mt in last five days to 100288mt, with the net change of -56percent in last six month.

Outlook

- Copper is trading in tight range of 5970-5870 from last 3 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 unless some economic stimulus is announced by the Chinese government.

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