

Brent Oil remains under pressure, higher oil output and Economic Growth concern weigh on prices

- Growth Concerns- Negative China and Euro zone data are turning negative for oil demand in 2019, while US economic data remained somewhere supportive. China's economy has been losing momentum in recent quarters as a multi-year government campaign to curb shadow lending to increased financial stress on companies in a blow to production and investment.
- The dollar held firm after having touched a 19-month high against a basket of six other major rivals on Friday as the US economy appeared to be in better shape than others. US retail sales excluding automobiles, gasoline, building materials and food services rose 0.9 percent last month after an upwardly revised 0.7 percent increase in October.
- Crude oil production –Persistent growth in U.S. shale output continues to weigh on oil prices, while some analysts doubted that planned supply cuts led by the Organization of the Petroleum Exporting Countries would be enough to rebalance markets.
- The Bank of Russia cut its crude price outlook for next year to \$55 a barrel from \$63 on higher supply risks, mainly related to “fast output increase” in America.
- CFTC Report - According to the CFTC Commitments of Traders report for the week ended December 11, NET LENGTH for crude oil futures continued to fall. Speculative long positions of **crude oil** futures slipped -708 contracts, while shorts jumped +19,932 contracts, resulting in a fall in NET longs by -20,640 contracts, to 309 506 contracts.

Outlook

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

Indian rupee continues recovery over narrowing trade gap

- The Indian rupee continues to strengthen against the US dollar as Indian gold imports fell sharply which reduced the trade deficit
- In November, **trade deficit** was at \$16.67 billion from \$17.13 billion last month.
 - Oil imports increased by 4.3% while exports slowed, rising 0.8% from 17.86% in October.
 - Gold imports fell 15.59% to \$2.76 billion in November.
- Dollar index touched its highest level since June last year, helped by a surge in core retail sales which rose to 0.9% in November, up from the revised 0.7% in the previous month and higher than the 0.4% expected by the markets
- FIIs and DIIs data - Foreign funds (FII's) bought shares worth Rs 861.94 crore, while domestic institutional investors (DIIs) sold share to the tune of Rs 302.52 crore on December 14th. In December 2018 FIIs net sold shares worth Rs. 2932.71 crore while DII's bought shares worth net 610.05 crore.
- Domestic equity markets continued bullish rally from last week, NSE's Nifty50 index rose to highest level of 10878 and BSE's Sensex registered a high of 36268 till Monday afternoon.

Outlook

- The rupee continued its rally after the new RBI governor Shaktikanta Das took charge and emphasized the need of a consultative approach to tackle various economic issues. Recovery in domestic equities market was supportive for fresh recovery in Indian rupee against dollar. Crude oil prices remain in a tight range and global equity markets also found some support after US-China tussle cooled down. USD-INR pair is facing stiff resistance near 72.60, fresh bullishness can be seen only if it closes above this level, we are expecting some selling near this zone and a correction towards its support level of 71.50-71.20 in near term.

Gold remained weak over strength in dollar index after strong retail sales data

- Dollar is trading near its 19-month high, as safe haven demand has increased over Weaker-than-expected economic data out of China and Europe and fears of a possible U.S. government shutdown
- Gold continues to trade weak as dollar continues to strengthen after the retail sales data. Market awaits FED meeting this week on December 18th and 19th. Federal Reserve is set to raise interest rates by 25 basis points but focus is on future rate hikes where the central bank is committed to limit the rate rising cycle.
- Brexit - Britain's government is not preparing for a second referendum on Brexit, ministers said on Sunday, sticking to the script that Prime Minister Theresa May's deal could still pass through parliament with a few changes.
- European Growth - European Central Bank President Mario Draghi told European Union leaders growth was weaker than previously anticipated and urged them to go forward with reforms of the euro zone
- CFTC Report - hedge funds and money managers switched to net long position in Comex gold for the week ended Dec. 11
- Indian gold demand remains weak as Gold prices remained higher, Indian gold imports were down 15.59% at \$2.76 billion in November

Outlook

- Strength in dollar index is pushing gold lower, Retail sales data supported dollar move, focus now shifts to FED meeting (scheduled for this week). Spot Gold was unable to hold its level of 1250 but is currently near its support of 1232, in case of a fresh breakdown below 1232 a further decline towards 50-DMA at 1225 and further towards 1210 in the short term. Further bullishness can be only seen if it breaks and holds above 1250.

Copper up on hopes of US-China trade tariff talks

- Most base metals are trading higher as US-China are expected to resolve ongoing tariff disputes which may support Copper and other industrial metal demand
- China planned to temporarily suspend additional 25% tariffs on U.S.-made vehicles and auto parts starting Jan. 1, 2019
- Indian Copper refinery unit of Vedanta in the state of Tamil Nadu is close to re-start copper smelter plant after government took initiative to resolve the issue.
- CFTC- Hedge funds and money managers switched to a net short position in Comex copper in the week to Dec. 11, the U.S. Commodity Futures Trading Commission (CFTC) said on Friday.
- Inventory - Copper inventories at LME increased by 1250mt to 121225 mt which is a net loss of 3225 in last 5 sessions. Weekly inventory report at SHFE is showing a decline of 1657 mt to 122222 mt, inventory Data for both was released on December 14th.

Outlook

- LME Copper 3M contract may find support if Fed decides not to hike interest rates further in 2019, short term strength remains over China-US trade war resolution and further US economic data points are in focus this week. Strong support base is seen near 6000 while important resistance is seen near 6200.

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