

Gold gains on Fed view and macroeconomic environment

- 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. Gold tends to gain on expectations of lower interest rates, as they reduce the opportunity cost of holding non-yielding bullion which supports buying.
- 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 but she won the confidence motion, a new Brexit deal may come any time soon.
- 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.

Outlook

- Spot gold is trading range bound after Brexit vote failed in UK parliament but won the trust vote. Gold is facing stiff resistance near 1290-1310 while key support remains in the 1283-1265 range. US Shutdown and Brexit speculation have escalated geopolitical risks and safe haven appeal is likely to push gold prices higher from current levels.

Crude oil lost some ground on record US oil production

- Oil prices dipped as U.S. crude production reached near record 12 million barrels per day (bpd) and worries about weakening demand emerged after negative economic reports from China. U.S. output has soared by 2.4 million bpd since January 2018, fear of huge supply build discourage the buyers in trading.
- EIA Inventory Report - crude oil inventory decline of 2.7 million barrels for the week to January 11 while gasoline and distillate inventory build up by 7.5 million barrel and 3 million barrel respectively.
- 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.

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. Hope for economic stimulus after poor economic data in China is increasing the bullish bets, US Crude oil production and inventory report are being watched closely.

China Steel Rebar recovers on hopes of stimulus; volume dips ahead of Lunar New Year Holidays

- Chinese steel futures rose marginally but remain range-bound ahead of the Lunar New Year holidays. Prices likely stay at current levels, with no additional demand for steel expected until after the holidays.
- 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.

Copper continues to trade higher after stimulus hopes in China, Import premium rising

- Copper prices bounced to \$5980 per ton on LME as the dollar weakened, stimulus hope from China is supporting base metals.
- China signaled further stimulus measures in the near term and aim for "a good start to 2019" after a string of weak economic data points.
- Copper import premiums in China are seen rising to \$73 a ton from an eighteen month low of \$62.50 from the first week of December, supportive near-term demand.

Inventory report

- LME Copper warehouse stock increased by 2675 mt in last five days to 135025mt, with a net change of -55 percent in last six month.
- Comex Copper warehouse stock decreased by -7653 mt in last five days to 98789mt, with a net change of -56 percent in last six month.

Outlook

LME Copper 3M contract created short term base between 5870-6000, looking for a positive break above 6000, which may push counter further towards 6143-6351 as China stimulus hope looms, weakness in the dollar may also support this move.

Indian rupee tumbles further; rising crude prices and FII outflow support this move

- Indian rupee is trading weak following FII outflow, rising crude oil prices are the reason of worry for short term
- Oil prices end higher yesterday as U.S. crude supplies fall for the second week and crude is also receiving support on hopes of China economic stimulus

FII's and DII's Data

- Foreign funds (FII's) sold shares worth Rs. 90.10 crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs 304.27 crore on January 16th.
- In January 2019 FIIs net sold shares worth Rs. 3035.98 crore, while DII's were net buyers to the tune of Rs. 2570.74 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 70.40-69.90.

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