

Gold climbed higher before Fed meeting

- Dollar slipped from highest level of 19-month before Fed meeting, gold recovered from early losses
- Market awaits Fed meeting starting today . Federal Reserve's is set to raise interest rates by 25 basis points but focus on future rate increasing where Fed comments 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 previous forecast 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 in the week to Dec. 11
- Indian gold demand remained weak as Gold prices remained higher, Indian gold imports were down 15.59% at \$2.76 billion in November

Outlook

- Spot gold recovered after dollar declined, key resistance level is seen near \$1250 and fresh bullish move can be seen if it sustains above this level, meanwhile immediate support is seen at \$1232, Fed meeting is in focus and further direction can be seen on either side of \$1232-\$1250 range.

Brent Oil under pressure before API report, higher oil output and Economic Growth concern weigh on oil prices

- Growth Concern- Negative China and Euro zone data are turning negative for oil demand in 2019, while US economic data remained somewhat supportive. China's economy has been losing momentum in recent quarters as a multi-year government campaign to curb shadow lending put increasing financial strains on companies in a blow to production and investment.
- 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.
- Inventory Survey Report – Crude oil inventory are estimated to drop by 2.475 million barrel in last week, API will release its weekly number today while DOE crude inventory report is scheduled to release on Wednesday. Inventories at the U.S. storage hub of Cushing, Oklahoma, rose by more than 1 million barrels from Dec. 11 to 14, Meanwhile, oil production from seven major U.S. shale basins is expected to climb to 8.03 million barrels per day (bpd)

Outlook

- Brent oil entered in negative territory after four weeks of consolidation between \$58-\$62 per barrel, Oil market is expected to remain over supplied during early 2019 due to higher production and demand may not pickup under the shadow of tariff war between US-China.

Indian rupee continues recovery over narrowing trade gap and sliding Crude oil

- The Indian rupee on continued strengthening against the US dollar as India gold imports fell sharply which reduced trade deficit
- Crude Oil prices dropped 1 percent extending losses from the previous session as reports of a big climb in U.S. inventories and forecasts of record shale output stoked worries about oversupply.
- FIIs and DIIs data - Foreign funds (FII's) sold shares worth Rs 60.95 crore, while domestic institutional investors (DIIs) sold share to the tune of Rs 76.84 crore on December 17th. In December 2018, FIIs net is at Rs. -2993.66 crore while DII's net is at 533.31 crore.
- Domestic equity market ended lower on mild profit booking, NSE's Nifty50 index was down by 58 points and BSE Sensex lost 191 points till Tuesday afternoon.
- 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

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 tight range and global equity market also found some support after US-China tussle settles. USD-INR pair is facing stiff resistance near 72.60, fresh bullishness can be seen only if it closes above this level, we expect some selling near this zone towards immediate support level of 71.50-71.20.

Copper remains in tight range, Fed outcome awaited

- Copper prices are range bound as US-China are expected to resolve ongoing tariff dispute which may support Copper and other industrial metals demand, focus now on two days Fed meet starting today.
- China is expected to lower next year's growth target to 6.0-6.5 percent as headwinds, including a trade dispute with the United States is likely to increase risks for the economy, according to government advisers'
- China has planned to temporarily suspend additional 25% tariffs on U.S.-made vehicles and auto parts starting Jan. 1, 2019
- Indian Copper refining 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, Vedanta smelts 400000mt copper every year.
- China Output - China's refined copper output rose by 7.6 percent year-on-year to 768,000 tonnes in November, its highest level since June, according to the National Bureau of Statistics.
- 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 – Latest inventory reported at LME is 121800mt which have declined by 59% in last six months while inventory at SHFE is 122222mt which has also declined by 54% and Comex inventories are at 119248mt with a net drop of 47% in last six month.

Outlook

- LME Copper 3M contract may find support if Fed decides not to hike interest rates further in 2019, US economic data awaited this week. Strong support is seen near 6000 while important resistance seen at 6200.

China Steel Rebar prices recovers further after stringent winter output cut and hopes for a stimulus

- China's Steel Rebar bounced in response to winter production curbs, this output curbs will limit supply and that demand will remain relatively robust.
- China's value-added industrial output, an important economic indicator, expanded 5.4 percent year on year in November.
- China Steel output - Steel output is falling to a seven-month low of 77.62 million tonnes in November, down from a record 82.55 million in October and December output may be in the region of 66 million tones, forecast for total output for 2018 as per China Metallurgical Industry Planning and Research Institute..
- The institute expects China's 2018 crude steel output to reach an all-time high of 923 million tonnes, with production in the first 11 months totaling to 857.4 million tons, up 6.7 percent for the same period in 2017. The record output for the year so far came amid strong demand earlier in the year and fat profit margins, but these factors have faded somewhat in recent weeks.
- China Economic data – China's auto sales fell a sharp 10 percent in November from a year earlier, the steepest drop in nearly seven years. Industrial output rose 5.4 percent year-on-year in November, missing analysts' estimates and matching the pace seen in January-February 2016. Factory output had been expected to grow 5.9 percent, unchanged from October's pace. Retail sales gained 8.1 percent in November from a year earlier, below expectations for an 8.8 percent rise and the slowest since May 2003.

Outlook

- China steel rebar future bounced over speculation of economic stimulus to the steel industry and winter production cut. Now it may face minor resistance around 3568-3598, in case of a positive breakout it may rise towards 50 DMA at 3843 while important support is seen near 3517-3496.

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