

Gold faces stiff resistance at \$1300, political uncertainty supporting the precious metal

- Recent recovery into equities and minor strength in the dollar are hurting gold prices, it is unclear if it will break above \$1300, while losses are limited due to Brexit scenario and the government shut down in the US.
- Gold prices are consolidating near seven-month high 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.

Outlook

- Gold is facing stiff resistance near \$1300 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.

Copper trades above \$6000 per ton after stimulus hopes in China, Import premiums rising

- Copper prices trading higher 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 also moved up as the United States and China are closer to resolving their long-running trade dispute. Trade officials from the United States and China are in discussions to reopen China's market to U.S. chicken exports
- 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, supporting near-term demand.
- Chile's Cochilco state copper commission on Thursday maintained its average price prediction of \$3.05 per pound for 2019, rising to \$3.08 for 2020

Inventory report

- LME Copper warehouse stock increased by 2300 mt in last five days to 134975mt, with a net change of -55percent in last six month
- Comex Copper warehouse stock decreased by -7191 mt in last five days to 98252mt, with a net change of -57percent 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 the metal further towards 6143-6351 as China stimulus hope looms, weakness in the dollar may also support this move.

OPEC oil production fell by 751000 bpd in December pushing Brent prices near \$62 a barrel

OPEC Monthly Report

- OPEC said in its monthly report that its oil output fell by 751,000 barrels per day (bpd) in December to 31.58 million bpd, the biggest month-on-month drop in almost two years.
- OPEC also cut its forecast for average daily demand for its crude in 2019 to 30.83 million barrels, down 910,000 bpd from the 2018 average.

US Oil production and inventory

- 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 discouraged 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.

Indian rupee remains above 71; rising crude prices and FII flow to be watched for

- Indian rupee trading weak following FII outflow in January along with rising crude oil prices.
- Oil prices rose on Friday after a report from the OPEC Countries showed its production fell sharply last month, easing fears about prolonged oversupply.

FII and DII Data

- Foreign funds (FII's) bought shares worth Rs. 842.13 crore, while Domestic Institutional Investors (DII's) sold shares to the tune of Rs 727.46 crore on January 16th.
- In January 2019 FIIs net sold shares worth Rs. 2193.8 crore, while DII's were net buyers to the tune of Rs. 1843.2 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.

China Steel Rebar continued recovery as US-China trade war may resolve soon

- Rebar prices rose along with iron ore climbing to a more than 10-month peak, on a positive outlook for the United States and China trade war, both nations could soon resolve their trade dispute.
- 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.
- 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.
- The central bank of China opened a net market of 380 billion Yuan, and this week's accumulated net investment exceeded one trillion.
- Chinese traders continued restocking as positive demand outlook is seen post-winter months. Rebar Inventories in 35 major cities of China increase by 30.03 ten thousand tonnes on a week-on-week; a month-on-month increase of 96.03 ten thousand tonnes accordingly to a private website.

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 move can be seen towards 3702-3850.

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