

## Gold jumps following dollar index decline after Fed meeting, global equity sell off continued

- Dollar weakness is the key reason behind gold up move. Gold prices tested a high of 1266 in the previous session as the Dow Jones Industrial Average (Dow30) and global equity market sell-off continued after the Fed meeting.
- Gold has risen more than 8 percent from 19-month lows hit in mid-August and is on track for its biggest quarterly gain since March 2017.
- The U.S. Federal Reserve raised its benchmark fund rate to 2.25-2.5% on Wednesday and projected a few rate increases in 2019 than it had at its September policy meeting.
- The interest-rate outlook for both 2020 and 2021 was lowered to 3.1% from 3.4%, which guides to one hike that year. The longer run interest rate was also cut to 2.8% from 3.0%.
- Gold ETF - Holdings of the SPDR Gold Trust, the world's largest gold-backed exchange-traded fund, jumped to their highest level in four months this week.

### Outlook

- Spot gold recovered after the dollar declined, key resistance level is seen near \$1250 and a fresh bullish move can be seen if it sustains above this level; meanwhile, an immediate support is seen at \$1232. The Fed meeting is in focus and further direction can be seen on either side of \$1232-\$1250 range. A break above 1250 may push the counter higher towards 1259-1266 in the very short term.

## Crude oil continued bearish move, Global equity sell off weigh on the prices

- US crude tumbles 4.8% to a 17-month low, settling at \$45.88 as the stock market slides.
- API Inventory Report - The American Petroleum Institute (API) reported a surprise crude oil inventory build of 3.45 million barrels against an expectation of 2.475 million barrels for the week ending December 14. Inventories in the Cushing, Oklahoma facility this week had climbed by 1.063 million barrels. Even gasoline inventory buildup was 1.76 million barrels against 1.025 million barrels expectations. However, distillate inventories fell by 3.442 million barrels against the market expectation of inventory buildup.
- EIA Report - The EIA reported a 0.5 million barrel drop in U.S. crude oil inventories against a forecast of 3 million barrels drop. Gasoline supplies rose by 1.8 million barrels against a forecast of 2.6 million barrels.
- Growth Concerns - The Fed indicated US economy to slowdown in early 2019. 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 (OPEC) would be enough to rebalance markets. The Bank of Russia cut its crude price outlook for next year to \$55 a barrel, down from \$63 on higher supply risks, mainly related to "fast output increase" in America. Russian oil output is so far this month at a record 11.42 million bpd. Libya's state oil company has declared force majeure at the country's largest oilfield.

### Outlook

- Brent Oil entered in a negative territory after four weeks of consolidation between \$58-\$62 per barrel. The 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. More weakness is seen below \$57.50 till \$54.10- \$52.90 per barrel.

## Indian rupee lost marginally after equity sell off

- NSE's Nifty-50 index lost almost 110 points to 10841 and BSE's Sensex lost nearly 328 points to 36102 in early morning trade following global equity selloff, which also pushed the rupee down after a recovery in last two weeks.
- The Indian rupee continued strengthening against the US dollar as Indian gold imports fell sharply which reduced the trade deficit. The U.S. Federal Reserve raised its benchmark fund rate to 2.25-2.5% on Wednesday.
- Brent Oil prices crashed to \$54.29 per barrel extending losses this week as well as reports of a big climb in U.S. inventories and forecasts of record shale output stoked worries about oversupply. US WTI crude tumbles 4.8% to a 17-month low, settling at \$45.88, as the stock market slides.
- FIIs and DIIs Data - Foreign funds (FII's) sold shares worth Rs. 386.4 crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs 87.96 crore on December 20th. In December 2018, FIIs net is at Rs. -2026.13 crore, while DII's net is at Rs. -2832.58 crore.

- In November, trade deficit was at \$16.67 billion, up from \$17.13 billion last month.

#### Outlook

- The rupee continued its rally after the new RBI governor Shaktikanta Das took charge and emphasized on the need for a consultative approach to tackle various economic issues. Recovery in the domestic equities market was supportive for a fresh recovery in the Indian rupee against the dollar. Crude oil prices crashed to new lows and trade talks between US and China are improving sentiments, though USD-INR may find a support base around 69.78 and fresh weakness towards 69-68.50 levels can be seen only if it breaks 69.78; meanwhile, an important resistance is seen around 71.20 and 72.60 levels.

### **China Steel Rebar continues recovery over production cut and hopes of an economic stimulus**

- China's steel prices were marginally up on expectations of firmer demand as the government takes steps to support the economy and supply is limited due to winter production cut. Though prices are trading weak this month over lower demand and ample supply despite stringent winter production cut and this is keeping rebar prices lower.
- Winter cut -Tangshan in the province of Hebei ordered steel makers to shut all their sintering machines from Dec 20 to Dec 31 and steel rolling plants and miners to close. At least three other cities in the province of Hebei, including provincial capital Shijiazhuang, have issued smog-alerts, asking industrial plants to reduce at least an average of 30 percent output this week.
- Weekly utilization rates at steel mills in China fell to their lowest level since early April this week, at 65.06 percent, according to data compiled by a private consultancy.
- Chinese Steel inventories have fallen for the 11<sup>th</sup> consecutive week, to the lowest in the past year, indicating that the re-stocking is yet to begin.
- 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, according to a forecast for total output for 2018 by the China Metallurgical Industry Planning and Research Institute.

#### Outlook

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

### **Copper recovers marginally over ICSG supply deficit report, bias still negative**

- Copper prices edged marginally higher after a ICSG report of widening supply deficit. Copper is down 17 percent so far in 2018, heading for its worst year since 2015 on fears that the U.S.-China trade row will hurt demand.
- ICSG Report- COPPER: The global world refined copper market showed a 168,000 tonnes deficit in September, compared with a 43,000 tonnes deficit in August, the International Copper Study Group (ICSG) said in its latest monthly bulletin.
- The U.S. Federal Reserve raised its benchmark fund rate to 2.25-2.5% on Wednesday and projected few rate increases in 2019 than it had at its September policy meeting. The interest-rate outlook for both 2020 and 2021 was lowered to 3.1% from 3.4%, which guides to one hike that year. The longer run interest rate was also cut to 2.8% from 3.0%.
- 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, are likely to increase risks for the economy, according to government advisers.
- The Indian Copper refining unit of Vedanta in the state of Tamil Nadu is close to re-starting the copper smelter plant after the government took the 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.
- Inventory -LME Copper warehouse stock remained at 128225mt, with a net change of -57 percent in the last six months. SHFE Copper warehouse stock remained at 122222mt, with a net change of -54 percent in the last six months. Comex Copper warehouse stock remained at 114594mt, with a net change of -49percent in the last six months.

#### Outlook

- LME Copper 3M contract has broken the key support of \$6000 per ton on news of the Fed increasing interest rates. The Fed has also lowered the US economic growth forecast. We expect more decline below \$6000 towards \$5793 in the near term while below the key resistance level of \$6229.

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