

Crude oil remain firm on OPEC production cut and US oil rig count drop

- Brent Oil remains firm after Chinese economic number released, China's economic slowdown was not as big as some had expected
- 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.
- 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 reported crude oil inventory decline of 2.7 million barrels for the week to January 11 and API reported a draw of 650,000 barrels in oil inventory.
- Us Oil Rig count Drops - The total U.S. rig count plunges by 25 to 1,050. The count of active oil drilling rigs in the U.S. tumbled by 21 to 852, the biggest weekly decline since February 2016, while gas rigs fell by 4 to 198.

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 bullish bets; US Crude oil production and inventory report are being watched closely.

Copper declines marginally post Chinese GDP numbers

- London copper prices drop marginally after four days positive move to a high of \$6076 per ton, amid concerns over slowing economic growth in top industrial metals consumer China.
- Chinese Economy – Chinese economy grew 6.6 percent in 2018, which is the lowest official pace in 28 years. Industrial output grew 5.7 percent in December from a year earlier — beating economists' expectations of 5.3 percent growth. Retail sales data rose 8.2 percent in December on-year, in line with a forecast and up from November's 8.1 percent gain.
- Trade war: U.S. President Donald Trump said on Saturday there has been progress toward a trade deal with China, but denied that he was considering lifting tariffs on Chinese imports. U.S. Treasury Secretary Steven Mnuchin discussed lifting some or all tariffs imposed on Chinese imports as per media reports.
- Weekly Inventory –
 - LME Copper warehouse stock increased by 1400 mt in last five days to 135100mt, with the net change of -55percent in last six months.
 - SHFE Copper warehouse stock decreased by -8012 mt in last one week to 100878mt, with the net change of -62percent in last six month.
 - Comex Copper warehouse stock decreased by -6887 mt in last five days to 96212mt, with the net change of -58percent 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.

Gold remains in the range near 1282 after Friday's drop

- Gold remains in a narrow range after Friday's drop, the focus is on Brexit deal by PM Theresa May, China growth and Feb meeting next week.
- Brexit plan 'B' – After May sets out her plans for the way ahead, lawmakers are set to table a series of amendments, to be voted upon on January 29. Uncertainty in EU and Britain is one of the principal reasons behind the gold recovery in recent weeks.

- Fed meeting on January 29th-30th - The Federal Reserve already sent a clear signal that it won't be moving quickly to raise interest rates in 2019, low rates are helping gold.
- China Economy – China GDP, Retail sales and industrial production data were as per market expectations. Poor economic growth in China is negatively affecting the world economy and helping gold prices recover from lower levels. The Chinese economy grew 6.6 percent in 2018, which is the slowest pace of growth in 28 years.

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.

China crude steel output was lowest in Dec'18 since Mar'18

China Steel Production -

- China's average daily steel output in December hit its lowest level since March as producers cut output amid shrinking profit margins.
- Total output fell to 76.12 million tonnes last month from 77.62 million tonnes in November, but was up 8.2 percent from December 2017, data from the National Bureau of Statistics showed on Monday.
- Average daily steel output dipped 5 percent from the month before to 2.46 million tonnes, the lowest level since the 2.39 million tonnes recorded in March.
- China produced 928.26 million tonnes of crude steel in 2018, the data showed, up 6.6 percent from 2017.

China Economy - China on Monday announced that its official economic growth came in at 6.6 percent in 2018 — the slowest pace since 1990. Industrial production and Retail sales data reported being positive.

Outlook

- China GDP data were better than expected along with Steel production level may support prices from the current level as demand improves in coming months. As rebar prices move above 3659, a further up move can be seen towards 3886 in the near term.

Indian rupee remains above 71; rising crude prices and FII flow to watch out for

- Indian rupee trading weak following FII outflow in January along with rising crude oil prices.
- Oil prices rose to their highest for 2019 on Monday after data showed progress in refinery processing despite a slowing economy in 2018.

FII and DII Data

- Foreign funds (FII's) sold shares worth Rs. 124.91 crore, while Domestic Institutional Investors (DII's) sold shares to the tune of Rs 0.97 crore on January 18th.
- In January 2019 FIIs net sold shares worth Rs. 2318.7 crore, while DII's were net buyers to the tune of Rs. 1842 crore.

Outlook

- FII's selling and rising oil prices continue to support positive move in USD-INR pair, the 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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