Copper weakens further on IMF growth forecast for the world economy and poor Chinese data

- London copper prices drop from a recent high of $6076 per ton, amid concerns over slow economic growth in top industrial metals consumer China.
- ICSG Report-The global world refined copper market showed a 15,000-tonne deficit in October, compared with a 161,000-tonne deficit in September. (ICSG: International Copper Study Group)

IMF Forecast

- The International Monetary Fund on Monday cut its world economic growth forecasts for 2019 and 2020, due to weakness in Europe and some emerging markets. IMF warned that failure to resolve trade tensions could further destabilize resulting in slowing global economy. The IMF predicted the global economy to grow at 3.5 percent in 2019 and 3.6 percent in 2020, down 0.2 and 0.1 percentage point respectively from last October's forecasts. (IMF: International Monetary Fund)

Chinese Economy

- The Chinese economy grew 6.6 percent in 2018.whcih 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 progressing 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.

Outlook

- Poor economic data from China continues to weaken the global economy and tariff war tension have slowed growth estimates across the globe. Copper prices were unable to break above the key resistance level of 6078; further weakness is seen towards 5873-5770.

Gold continued to decline on the consecutive fourth day on dollar rally

- Gold remained weak for the consecutive fourth day as a strong dollar and greater risk appetite pushed prices down but gold is expected to gain support from pause to increase in U.S. interest rates.
- Brexit plan 'B' – After May sets out her plans for the way ahead, lawmakers are set to table a series of amendments, that is 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 growth pace in the last 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.

Crude oil prices remain marginally weak on global economic slowdown forecast by IMF

- Brent oil price erased some gains after The IMF predicted the global economy to grow at 3.5 percent in 2019 and 3.6 percent in 2020, down 0.2 and 0.1 percentage point respectively from last October's forecasts.
- 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. (OPEC: Organization of the Petroleum Exporting Countries)
- 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.

- API and EIA weekly inventory report will be released on Thursday as US markets were closed on Monday being a holiday on account of the birthday of Martin Luther King, Jr. (API: American Petroleum Institute, EIA: Energy Information Administration)

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.

Indian rupee remains weak in equity decline and dollar gain

- Indian rupee trading weak following FII outflow in January along with rising crude oil prices and a strong dollar on exporters demand.
- Oil prices are expected to remain higher on OPEC production cut and drop in US oil rig count

FII and DII Data

- Foreign funds (FII's) sold shares worth Rs. 299.8 crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs 520.8 crore on January 21st. (FII's: Foreign Institutional Investors, DII's: Domestic Institutional Investors)
- In January 2019 FIIs net sold shares worth Rs. 2618.5 crore, while DII's were net buyers to the tune of Rs. 2363.1 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.

Rebar prices at 12 weeks high , China planning stringent pollution control rules

Pollution Control

- The ministry of Ecology and Environment said at a news briefing on Monday that the country will impose even tougher ultra-low emission standards at steel mills in 2019.
- The environment ministry also plans to extend emission limits to take in the Yangtze River Delta near Shanghai and the coal-rich Fenwei plain, adding to the Beijing-Tianjin-Hebei area and nearby cities.

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 Retails 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 upside trend can be seen towards 3886-3900 in the near term. Stringent pollution control policy will keep prices higher due to less production and supply in the market.

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