

Brent Oil consolidates near \$60, Venezuela tension and Saudi production cut limit losses

- Oil declined marginally on rising US rig count, China industrial slowdown continues however it is receiving support from geopolitical tension due to Venezuela and OPEC production cut.
- Saudi Oil Cut – Saudi Arabia is targeting oil production of 10.10 million bpd instead of 10.20 million bpd of January levels. Saudi Arabia's voluntary limit under the December cuts deal with Russia and other producers were 10.33 million barrels a day.
- The slowdown in the global economy is affecting Crude oil demand negatively - Profits at Chinese industrial firms contracted in December for a second straight month, China's National Bureau of Statistics said on Monday. Industrial profits in December fell 1.9 percent from a year earlier to 680.8 billion yuan (\$100.9 billion)
- Geopolitical tension - Venezuela's opposition leader Juan Guido declared himself as the interim president earlier this week, winning backing from Washington and large parts of Latin America, prompting Nicolas Maduro, the country's leader since 2013, to break relations with the United States.
- Rig count - U.S. energy firms last week raised the number of rigs looking for new oil for the first time in 2019 to 862, an additional 10 rigs, Baker Hughes energy services firm said in its weekly report on Friday.
- Commitment of Trader - Portfolio managers have raised their net long position in Brent in six of the last seven weeks, by a combined 66 million barrels since Dec. 4, Hedge funds and other money managers boosted their net long position in Brent crude futures and options by 30 million barrels to 203 million barrels in the week to Jan. 22
- Inventory- API weekly report will be released today and EIA will release its report tomorrow.

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 trend is looking sideways as OPEC production cut is pushing prices higher but global growth concern and US inventory build-up is pressurizing oil.

Steel prices corrected marginally from recent high, US-China talks is in focus

- Steel prices fell on caution ahead of the U.S.-China trade talks this week. U.S. Treasury Secretary Steven Mnuchin said on Monday the United States expects significant progress in trade talks in Washington with Chinese Vice Premier Liu
- Rebar inventories are projected to increase by 11.9% according to a private consulting firm, indicating restocking in local markets. The Chinese market may remain closed from February 2nd -10th on account of new year and spring festival.
- China's biggest steelmaking city, Tangshan, issued a second-level or "orange" pollution alert for a wave of smog expected to blanket the region. Steel mills will have to curtail sintering operation by 30 to 60 percent, or even shut, based on their emission levels. Other industrial plants in coke, cement, casting, and pharmaceutical sectors were also ordered to reduce output during the alert.

Outlook

- As steel 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 reduced production and supply in the market. US-China trade talks are watched cautiously and any positive outcome may boost steel prices further from current levels.

Gold remains firm as US-China talks in focus along with Brexit and Federal Reserve meeting

- Gold rallied after the United States charged Huawei's chief financial officer and two affiliates with the bank and wire fraud, who are accused of violating sanctions against Iran in a case that has escalated tensions with Beijing. U.S. Treasury Secretary Steven Mnuchin said on Monday that the United States expects significant progress in trade talks and two sides will be tackling "complicated issues".
- A weak dollar is turning positive for commodities, which makes them cheaper in other currencies. Focus shifts to U.S. Federal Reserve's policy meeting this week, when the central bank is expected to leave interest rates unchanged

- 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 Fed hiked interest rates four times last year and has signaled it will probably lift borrowing costs twice in 2019, though some central bank officials have stated they will be patient in raising rates, low rates are positive for gold
- SPDR Holdings - Holdings of SPDR Gold Trust rose 0.73 percent to 815.64 tonnes on Monday, their highest since June 2018

Outlook

- Gold crossed psychological level of \$1300, weak dollar along with US-China tension over Huawei is keeping the precious metals firm. Gold is also receiving support from deadlock for a Brexit deal and Federal Reserve policy meeting this week, gold may rally towards \$1310-\$1328 while above \$1289

Copper remains above \$6000 per ton, Fed meeting and US-China trade talks in focus

- US-China trade talk - A new round of high-level trade talks between the United States and China are set to begin Wednesday. Any failure is likely to be negative for the global economy and further decline in copper demand could be witnessed in the near future.
- Copper holds above \$6000 per ton on LME, World economic growth, Fed meeting, and US-China talk to be key events to watch out for further direction, bias remains positive.
- Mining news -
 - Freeport McMoRan Inc, the world's second-largest copper miner forecasts a drop in 2019 production.
 - Anglo American said its copper output has reached a five-year high and its overall output for the last quarter of 2018 has risen 7 percent following operational changes that boosted efficiency.
 - Chilean copper miner Antofagasta Plc is evaluating building a new concentrator plant at its Centinela mine that would cost around \$3 billion.

Outlook

- Present economic condition is denting growth in copper prices; overall economic activity is slowing due to US tariff war on Europe and China. In case copper sustains current breakout above 6000 and moves above 6100 then we may see further recovery till 6230-6320 in the near term while critical support remains at 5878-5728 for the medium term.

Indian rupee losses further as equity sell-off continued

Indian rupee is trading weak following FII outflow in January along with rising crude oil prices and a strong dollar on export demand.

- Minister Piyush Goyal will present an interim budget on February 1st which is expected to be populist ahead of the general election due for May 2019
- Oil prices are expected to remain higher on OPEC production cut

FII and DII Data

- Foreign funds (FII's) bought shares worth Rs. 223.44 crore, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs 92.32 crore on January 28th
- In January 2019 FIIs net sold shares worth Rs. 2654.63 crore, while DII's were net buyers to the tune of Rs. 3197.66 crore.

Outlook

- Equity Sell off, 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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