Quick Read

China to remove 11 steel companies from qualified enterprise list

BEIJING: China's industry ministry on Tuesday said it would remove 11 steel firms from a list of qualified enterprises, effectively banning them from operating, and ordered another 17 to rectify environmental, safety and other breaches or face the same fate. The move comes as China, the world's biggest steelmaker, aims to streamline its bloated steel sector, which currently has around 908 million tonnes per year of production capacity, as well as improve operating efficiency and environmental standards. Some of the 11 disqualified mills, including Xuzhou Dongya Iron and Steel and Guangdong Century Tsingshan Nickel Industry Co, were identified by the Ministry of Industry and Information Technology (MIIT) as having illegally added new capacity, being under bankruptcy liquidation processes or failing to obtain operating licenses from the local government. The companies have until Jan. 16, 2019, to register any objections to being removed from the list; otherwise, they will be banned from operating after that date. In the past three years, China has removed 48 steel mills from the list of qualified enterprises, reducing the total number of registered steelmaking companies to 256, the ministry said in a statement. "With relentless work on cutting excess steel capacity in recent years, the total production capacity of qualified steel companies has been declining every year," the ministry said, adding that it would regularly revise the list. Meanwhile, 17 companies including Jiangsu Shagang Group (002075.SZ), a unit of top steel producer China Baowu Group, and HBIS Group's subsidiary in key steel hub Handan, will be given a limited, though unspecified, time to rectify problems uncovered that relate to safety, environmental and the capacity cutting mission, the MIIT said. **—Reuters**

India rupee at near 3-week high on likely soft Fed outlook, low crude

MUMBAI: The Indian rupee touched a near three-week high against the dollar on Tuesday on lower crude prices and expectations of fewer U.S. rate hikes in 2019 as markets counted down to a crucial Federal Reserve meeting. The rupee was at 70.89 to the dollar, after touching 70.84, its highest since Dec. 7 and stronger than Monday's close of 71.55. "There is no demand for dollars because of expectations of lesser number of Fed rate hikes," said a senior dealer at a state-run bank. Most of the dollar sales were from banks, though a few exporters were also selling, dealers said. The Fed will announce its rate decision after its two-day meeting ends on Wednesday. While the Fed is widely expected to raise rates this month, analysts are calling for two more hikes in 2019 compared with three in September on worries over a potential recession there, according to a Reuters poll. Meanwhile, India's 10-year benchmark bond yield also fell tracking crude prices and rupee to 7.41 percent from 7.46 percent. **—Reuters**

Spot gold may rise into $1,253-$1,258 range

SINGAPORE: Spot gold may rise into a range of $1,253-$1,258 per ounce, as suggested by its wave pattern and a projection analysis. The metal is riding on a wave 5, the fifth wave of a five-wave cycle from $1,195.90. A projection analysis suggests an ultimate target at $1,266, the 161.8 percent level of an uptrend from $1,210.65. A rising channel suggests a similar target. A more realistic target could be either $1,253 or $1,258. On the daily chart, the gain on Monday confirms a break above the former resistance at $1,238, the 14.6 percent projection level of a downward wave C from $1,366.07. The next resistance will be at $1,305.

* Wang Tao is a Reuters market analyst for commodities and energy technicals. The views expressed are his own. No information in this analysis should be considered as being business, financial or legal advice. Each reader should consult his or her own professional or other advisers for business, financial or legal advice regarding the products

Soybeans mixed in quiet trade; corn, wheat slightly softer

SINGAPORE: Chicago soybean futures retreated from Monday's highs early Tuesday as the Asian session failed to drum up follow-on buying interest in the absence of fresh Chinese buying.

Wheat and corn prices also drifted lower in thin trade, while soymeal and soyoil futures stayed largely flat.

Soy traders remain on watch for additional Chinese import demand, but few signs of fresh buying have emerged beyond confirmation of firm U.S. export inspections overnight. The U.S. Department of Agriculture reported soybean purchases of more than 1.5 million tonnes by China last week – the first in six months – but has not confirmed fresh deals since, dashing hopes of steady waves of Chinese interest.

The most-active soybean contract on the Chicago Board Of Trade was down less than 1 percent at around $9.04 a bushel, compared to Monday's high of $9.09-1/4.

Wheat was down nearly 0.4 percent, but remained broadly supported by tightening global inventories stemming from production problems in key growing areas, including the European Union which has become a net grain importer for the first time in a decade. Corn was slightly lower in thin trade, extending the softer tone from Monday's session as traders reacted to a

larger-than-expected net long position held by commodity funds in a weekly government report issued after the closing bell on Friday. Soymeal and soyoil futures held marginally firmer in thin trade. **—Reuters**

Asian markets tumble with Wall St on global outlook fears

HONG KONG: Asian markets mostly fell on Tuesday following a sharp retreat on Wall Street fuelled by increasing worries about the global economy, while investors await the Federal Reserve policy meeting this week.

A much-anticipated speech by President Xi Jinping left investors disappointed as they had been hoping for comments about stimulus or even clues about possible reforms to China's economy and plans for the next year.

After a broadly upbeat start to the week, regional equities were brought back down to Earth with a bump Tuesday, with all three main indexes in New York tanking following the release of well-below-par economic data.

Dealers across the world have taken fright over a range of issues, including the China-US trade war, falling oil prices, Brexit, political uncertainty, China's stuttering economy and geopolitical tensions. Also weighing on confidence has been the Fed's monetary tightening drive that has seen it lift interest rates through the year, making it more expensive for traders to borrow cash for investment. The central bank concludes its latest policy meeting Wednesday and is widely expected to announce another hike, but comments afterwards by its boss Jerome Powell will be pored over, with many hoping he flags a slower pace of increases in 2019. "There is panic in markets that the global economy is falling down a cliff and all growth-sensitive assets are in free-fall," Bernd Berg, a strategist at Woodman Asset Management, said. "All eyes are now on ... Powell with pressure on the Fed mounting to provide a lifeline to stem the global market rout." Donald Trump on Monday once again hit out at the bank's policy and called on it not to lift rates again.

Adding to nervousness on trading floors is the prospect of a US government shutdown as the president and congressional leaders bicker over funding for his Mexican border wall. Several departments are expected to close if a deal is not agreed by the weekend, with both sides digging in their positions.

Shanghai ended down 0.8 per cent and Tokyo dived 1.8 per cent, while Hong Kong was 1.1 per cent down.

Sydney dropped 1.2 per cent and Singapore dived 2.2 per cent while Seoul gave up 0.4 per cent. Wellington and Taipei retreated 0.7 per cent each, while Jakarta and Manila sank more than one percent. In early European trade, London fell 0.4 per cent, Frankfurt gave up 0.3 per cent and Paris fell 0.6 per cent. "It's an extremely bearish environment and while expectations are for a dovish hike from the Fed - and for the central bank to temporarily pause its rate hike cycle at the beginning of 2019 - the markets aren't taking any solace" in that, said Stephen Innes, head of Asia-Pacific trade at OANDA. "A chorus of 'no rate hike' for December is echoing loudly but likely falling on deaf ears." Xi gave a speech to mark 40 years since China began opening up but gave nothing away on the policy front - despite a slew of weak data this year - instead opting to warn that no one can "dictate" the country's economic development, with an eye on the US trade war. "Without question, he disappointed markets," said Innes. "The speech was little more than a history lesson with no new reforms or stimulus measures offered up. And will do little to calm investor jitters." Leaders are now said to begin an annual conference on mapping out the country's economic path for 2019, with reports saying they could unveil massive tax cuts. Oil prices fell more than 1.5 per cent to extend Monday's losses on lingering concerns about a global supply glut after a closely watched data provider said US inventories had grown. There are also questions about the impact of a recently promised output cut by OPEC and other top producers including Russia. "There's always a question mark over to what extent the OPEC countries and Russia will or will not fulfil their promises," Pavel Molchanov, an analyst at Raymond James & Associates, told Bloomberg News. "There is naturally some scepticism." Crude prices have fallen about a third from four-year highs touched at the start of October.

- Key figures around 0820 GMT -

Tokyo - Nikkei 225: DOWN 1.8 per cent at 21,115.45 (close)

Hong Kong - Hang Seng: DOWN 1.1 per cent at 25,814.25 (close)

Shanghai - Composite: DOWN 0.8 per cent at 2,576.65 (close)

London - FTSE 100: DOWN 0.4 per cent at 6,744.22

Euro/dollar: DOWN at US$1.1350 from US$1.1362

Dollar/yen: DOWN at ¥112.57 from ¥112.83

Pound/dollar: UP at US$1.2638 from US$1.2613 at 2200 GMT

Oil - West Texas Intermediate DOWN 87 cents at US$49.01 per barrel

Oil - Brent Crude: DOWN US$1.03 at US$58.58 per barrel

New York - Dow: DOWN 2.1 per cent at 23,592.98 (close). **—AFP**

TOCOM inches lower on worries over slowing global economy

TOKYO: Benchmark Tokyo rubber futures inched lower on Tuesday, after retreating from a more than 2-month high hit in early trade, as worries over global economic growth weighed on the sentiment.

Asian equities were hit hard after a rout on Wall Street overnight following a slew of weak data globally The U.S. economy, which has been growing strongly this year, has started to show signs of fatigue, adding to growing evidence elsewhere, including in Europe and China, of a cooling momentum. "Increasing fears over slower growth in global economy added to pressure," said Satoru Yoshida, a commodity analyst with Rakuten Securities. The Tokyo Commodity Exchange (TOCOM) rubber contract for May delivery finished 0.3 yen lower at 171.3 yen ($1.52) per kg, after touching the highest since Oct. 11 of 173.0 yen earlier in the session.

"The TOCOM may also run out of steam as the benchmark has reached near the October's high," Yoshida said. TOCOM's technically specified rubber (TSR) 20 futures contract for June delivery fell 0.3 percent to close at 148.0 yen per kg. **—Reuters**

Palm oil may test resistance at 2,150 ringgit

SINGAPORE: Palm oil may test a resistance at 2,150 ringgit per tonne, a break above which could lead to a gain to 2,180 ringgit.

The resistance is provided by the 138.2 percent projection level of an upward wave c from 1,979 ringgit. This wave has extended. It is expected to travel to 2,180 ringgit. An inverted head-and-shoulders developing from Nov. 21 has been confirmed, indicating a similar target. The shallow correction triggered by the resistance at 2,150 ringgit seems to have ended around 2,103 ringgit. Palm oil may succeed in breaking 2,150 ringgit this time. On the daily chart, the contract is bouncing towards the upper channel line around 2,200 ringgit. A break below 2,103 ringgit (first chart) could cause a loss to 2,074 ringgit.

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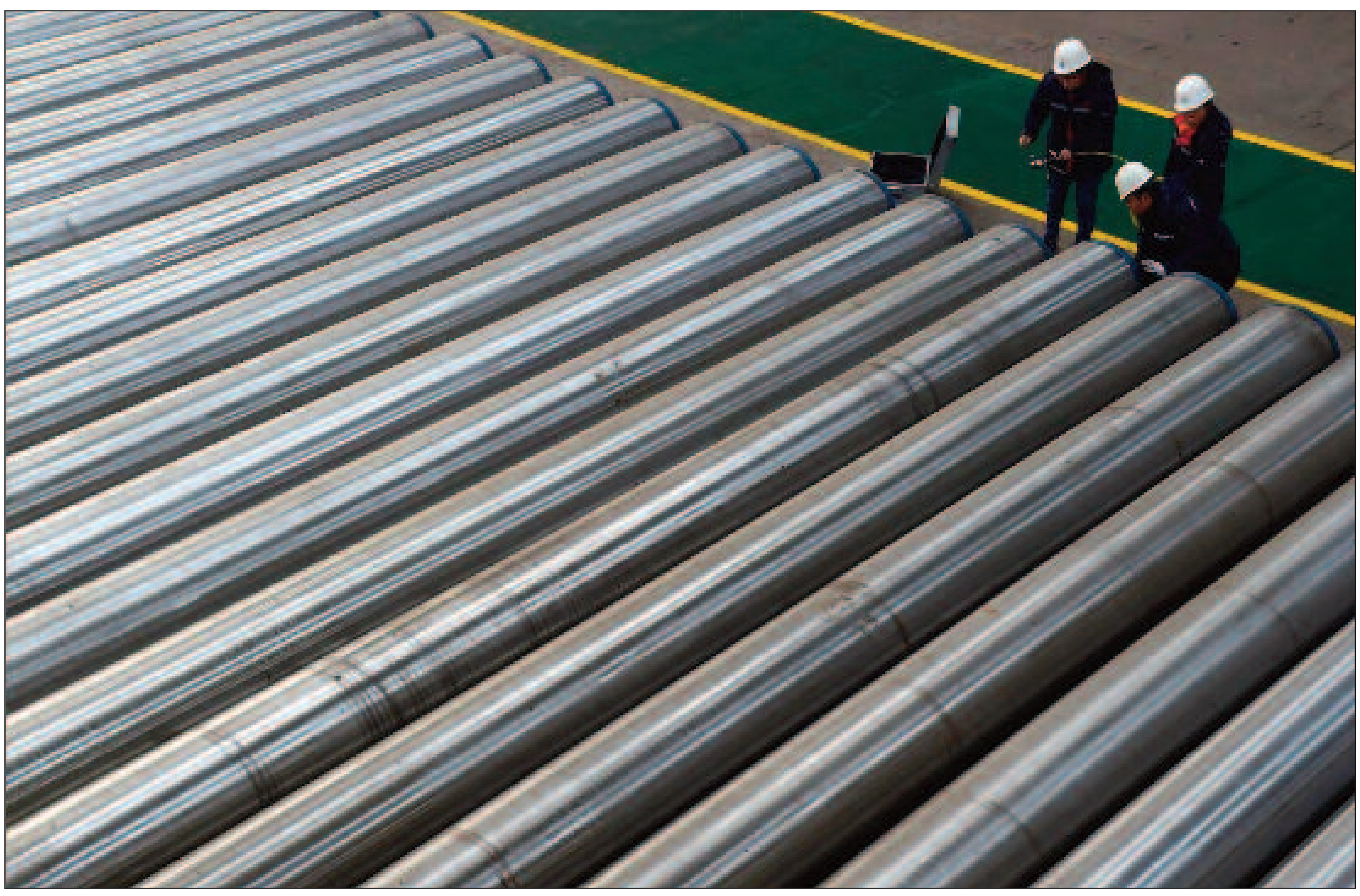
* Wang Tao is a Reuters market analyst for commodities and energy technicals. The views expressed are his own. **—Reuters**



CANGZHOU: Workers check on seamless steel pipes at a factory of a steel products manufacturer.

Oil drops 4 percent on oversupply, equities sell-off

LONDON: Oil prices fell 4 percent on Tuesday after reports of swelling inventories and forecasts of record U.S. and Russian output combined with a sharp sell-off in stock markets as the outlook for global growth deteriorated.

US crude oil dropped $2.04, or 4.1 percent, to a low of $47.84, its weakest since September 2017, before recovering to around $48.55 by 1140 GMT. North Sea Brent crude lost $2.41, or 4.0 percent, to $57.20, a 14-month low. It last traded around $58.21, down $1.40.

Both crude oil benchmarks have shed more than 30 percent since early October due to swelling global inventories. World stock markets tumbled on Tuesday as fears about a slowing global economy gripped investors, just as the U.S. Federal Reserve looked set this week to deliver its fourth interest-rate hike of the year.

Germany's Ifo economic institute said its business climate index fell for the fourth month in a row to its lowest in over two years, adding to the worries about global growth. Japan's Nikkei lost 1.8 percent after U.S. stocks dropped to their lowest in more than a year. "A large part of the move is due to a broader market sell-off, with both U.S. and Asian equity markets coming under pressure," said commodities strategist Warren Patterson at Dutch bank ING in Amsterdam.

"Specifically for the oil market, there are no clear signs yet of the market tightening," he added. The Organization of the Petroleum Exporting Countries and other oil producers agreed this month to curb production by 1.2 million barrels per day (bpd), equivalent to more than 1 percent of global demand, in an attempt to drain tanks and boost prices. But the cuts won't happen until next month and meanwhile production has been at or near record highs in the United States, Russia and Saudi Arabia, undermining spot prices.

Russian oil output has hit a record 11.42 million bpd this month, an industry source familiar with the data told Reuters. Oil production from seven major U.S. shale basins is by the year-end expected to climb to more than 8 million bpd for the first time, the U.S. Energy Information Administration said. **—Reuters**

Russian crude exports and transit volumes set to fall as producers curb output

MOSCOW: Russia's crude oil exports and transit volumes from Kazakhstan and Azerbaijan are set to fall to 61.7 million tonnes in the first quarter of 2019 from 63.8 million in the final quarter of this year, a quarterly schedule issued by the Energy Ministry seen by Reuters showed.

OPEC and non-OPEC oil producing nations have agreed to cut output by 1.2 million barrels per day beginning in January to help clear inventories and support prices.

On a daily basis, January-March exports will fall by 1.1 percent compared to the October-December quarter, Reuters calculations show.

Crude oil export schedules from Russia include transit volumes of oil from Kazakhstan and Azerbaijan.

Exports and transit of Urals crude oil via Russia's Baltic ports are set at 18.9 million tonnes compared to 19 million tonnes for the last quarter of 2018, the schedule showed.

January-March Urals crude oil exports from the port of Primorsk have been set at 10 million tonnes. Exports from the port of Ust-Luga have been set at 8.86 million tonnes including 2.5 million tonnes of transit crude from Kazakhstan. Urals and Siberian Light crude oil exports and transit from the Black Sea port of Novorossiisk are seen at 8.6 million tonnes in January-March, down from 8.8 million tonnes in October-December 2018, the schedule showed.

That includes 1.5 million tonnes of Kazakh transit crude and 325,000 tonnes of Azeri transit crude.

Russia's ESPO Blend crude oil exports via the Far East port of Kozmino are set at 7.5 million tonnes for the first quarter of 2019. Russia's ESPO Blend crude oil exports to China via the Skovorodino-Mohe pipeline are set at 7.4 million tonnes for January-March 2019. Russia will supply China with 30 million tonnes of ESPO Blend via the route, according to a Russian-Chinese state agreement.

Russia's crude oil supplies to China via Kazakhstan through the Atasu-Alashankou pipeline have been set at 2.5 million tonnes for the next quarter. Russia supplies 10 million tonnes per year to China via the route under a bilateral state agreement. **—Reuters**