

# **K** **ST** ₹ **EEET**



**RULE THE MARKET**

**ISSUE: 119**



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## From The Desk Of Research Head

### Credit offtake continues to decelerate

Credit offtake in the economy continues to remain subdued despite availability of ample liquidity with banks. YTD gross bank credit growth continues to remain in negative territory as Q1 was affected due to lockdown and the next two quarters were lost in transition. YTD bank credit grew at -0.5% vs. 0.7% during previous fiscal. Active credit markets due to record low bond yields also contributed to this de-growth. This is further evident in declining share of industry credit in total outstanding credit, which has further come down to 30% from 32% in October 2019. Credit growth for October month slowed down to 5.5% vs 8.4% during Oct 2019. Credit growth continued to hover around 5.5% to 6.0% levels for the third consecutive month in this fiscal. Despite transition of RBI rate cuts by banks, credit growth is yet to pick up.

Banks continue to remain selective in extending loans as they continue to conserve capital to absorb unexpected additional stress due to covid and uncertainties created by regulatory dispensation and Supreme Court injunction. We continue to believe that going forward credit growth continues to remain subdued around these levels as banks continue to remain risk averse till clarity emerges on asset quality picture. We expect banks would continue to adopt selective approach by focusing on AAA rated corporate clients and top quality retail customer base even if it means sacrificing yields as declining cost of funds across the board would help them to offset it.

Industry credit for the month of October 2020 slipped into red with a growth of -1.7% vs 3.4% in Oct 2019. YTD deceleration accelerated with a de-growth of -5.7% as opposed to -3.4% in FY20. Credit to MSMEs continues to be strong with a growth of 0.7% and 16.7% as opposed to -1.4 and 1.2% respectively in Oct 2019. Credit to large industries continues to weaken with a growth of -3% in Oct 2020 vs. 4.2% in Oct 2019. Industrial credit was supported by increasing disbursements under government's Emergency Credit Line Guarantee Scheme (ECLGS) to MSMEs, which was extended to November 2020 from October 2020 earlier.

Key noticeable trends during the month included agriculture and allied activities and services sector picked up growth while growth in personal loans stabilised around 9% and industry credit growth continued to deteriorate. It is interesting to note that Personal loans' growth has decelerated due to higher base during Oct'19. Within personal loans, vehicle loans, loans against shares and deposits picked up while consumer durable loans growth came in at 24% vs 70% YoY due to high base effect in October 2019.

It is encouraging to note that finally credit to Services sector is picking up indicating recovery is spreading into other areas which were hitherto lagging behind. Within services, Trade and Wholesale/Retail trade have exhibited a sharp recovery. Tourism and Hospitality has put up a decent performance by growing at 12% in Oct 2020 vs. 13% in Oct 2019. Growth in credit to NBFCs has decelerated to 9% vs. 27% on monthly basis and YTD slipped into red to -3.5 vs. 11.3% in fiscal 2020. This is a positive sign as NBFCs have reduced reliance on bank funding and are increasingly raising funds from debt markets. It is worth noticing that funding costs for most of the NBFCs has come down in the recent past, indicating ease of liquidity.

**- DR. RAVI SINGH**

Vice President & Head of Research

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## NEWS

### AUTO

- Tata Motors is facing capacity expansion issues due to Bosch. According to sources even though the company's existing facility has room to expand capacity by 5-10% it is not able to do so due to supply side issues. However, the company can undertake production hassle free at current level.
- TVS Motor CMD Venu Srinivasan said that members of TVS family have agreed to subscribe to the terms of memorandum of family arrangement to align and synchronise the ownership of shares in various listed entities of the group. Listed entities of the group include TVS Motor, Sundaram Clayton, Sundaram Fasteners, TVS Electronics and TVS Srichakra.
- Maruti Suzuki said that it will raise prices across models from Jan 2021 to pass on rising input costs. The company said that the rise in input costs has affected cost of manufacturing severely that is necessary to pass on input costs.
- Mahindra & Mahindra said that its raise voting rights in Sampo Rosenlew to 79.13% from 74.97% after it subscribed to 1050 shares in Sampo Rosenlew Oy, Finland, subsidiary of Sampo.

### BANKING

- RBI penalises HDFC Bank for securities bounce in account. Rs. 10 lakhs penalty was imposed vide a letter dated Dec 4 for bouncing SGL which led to shortage of balance in banks' CSGI account on Nov 19. The bank said that since then it has enhanced its review mechanism so as to not to repeat such incidents in the future.
- ICICI Bank's OFS of ICICI Securities was oversubscribed 1.08 times in retail and 4.41x times in non-retail segment. The bank's launched OFS to divest 2.21% stake in its wholly owned subsidiary.
- Canara Bank has approved QIP issue price of Rs. 103.5 and has raised Rs. 20 Bn from eligible QIBs.
- Kotak Bank: RBI issued a clarification to Kotak Bank that its Dec 4 notification which barred banks from paying dividends for FY20 is also applicable to Perpetual non-Cumulative Preference Shares (PNCPS) as well. Kotak Bank has sold Rs. 500 Cr worth PNCPS in 2018.

### CONSUMPTION

- UPL: Whistleblower alleges fund siphoning - A letter has alleged that Shroff and his family have been using shell entities to systematically divert funds of UPL for their personal gain, by means of various related party transactions and dubious deals.
- Anand Kripalu to step down as United Spirits CEO; Hina Nagarajan to be next chief - Kripalu will step down on June 30, 2021, ending an eight-year association with USL, the company's board announced. Nagarajan has led operations in Ghana, Cameroon, Ethiopia, the Indian Ocean, Angola and several other countries since joining Diageo in the summer of 2018.
- Dabur India steps up hiring in digital roles: FMCG major Dabur India has increased hiring in digital roles as the company pushes for strengthening digital competencies arising out of the business needs post pandemic. The company is hiring fresh graduates from various top business schools, engineering colleges and top graduate institutes in various digital roles across functions. House view: The need of the hour for all FMCG firms is to increase digital presence and the company is taking steps in the right direction to stay competitive.

### INFRA

- Ircon International has been awarded work of Rs. 900 Cr by NHAI.
- Gayatri Projects received three Letter of Award (LOA) for Pipe Drinking Water Schemes from Namami Gange and Rural Water Supply Department in the State of Uttar Pradesh, in a joint venture where the company's share is 97.5%, for a total value of Rs. 1,332 Cr.
- PNC Infratech in a joint venture with SPML Infra announced receipt of Letter of Acceptance (LOA) for an EPC project in Uttar Pradesh.
- SKIL Infrastructure : IFCI sold 1,03,12,956 shares of the company at an average price of Rs. 2.03 in a bulk deal on BSE.
- Jai Corp to redeem 6,00,000 1% non-cumulative, non-participating redeemable preference shares on Dec 11, 2020.

### INSURANCE & FINANCIAL SERVICES

- In response to reports that insurance regulator IRDAI might ban credit life insurance products, IRDAI has clarified that it will not ban credit life products. It is positive for insurance companies.

### IT

- TCS said that it plans to invest \$100 Mn and hire over 100 professionals in Austin Texas. The company aims to double operations in Austin with the construction of a new facility by adding to 400 professionals in Austin and adding to 5500 professionals in the state.

## FORTHCOMING EVENTS

| COMPANY NAME                    | EVENT                                      | EX-DATE   |
|---------------------------------|--|-----------|
| Adroit Infotech                 | Other business matters                     | 14-Dec-20 |
| Ice Make Refrigeration          | Financial Results                          | 14-Dec-20 |
| ISMT                            | Financial Results                          | 14-Dec-20 |
| Sanco Industries                | Other business matters                     | 14-Dec-20 |
| Karda Constructions             | Other business matters                     | 15-Dec-20 |
| Majesco                         | Dividend                                   | 15-Dec-20 |
| MT Educare                      | Financial Results/Other business matters   | 15-Dec-20 |
| Spandana Sphoorty Financial     | Fund Raising                               | 15-Dec-20 |
| Future Enterprises              | Financial Results                          | 16-Dec-20 |
| PG Electroplast                 | Fund Raising/Other business matters        | 16-Dec-20 |
| Power Grid Corporation of India | Interim Dividend                           | 17-Dec-20 |
| IDFC First Bank                 | Interest Payment                           | 17-Dec-20 |
| Sakuma Exports                  | Other business matters                     | 18-Dec-20 |
| Zodiac JRD- MKJ                 | Voluntary Delisting/Other business matters | 18-Dec-20 |

## GLOBAL NEWS

- In a boost to climate action, Britain to stop backing overseas oil and gas projects. Britain, which is co-hosting the virtual summit ahead of climate negotiations in Glasgow next year, has faced accusations of hypocrisy from campaigners for continuing to finance climate-warming oil and natural gas projects abroad.
- Global demand to accelerate by April 2021 due to Covid vaccine rollout: Morgan Stanley report. Many individuals have been holding back on their spending till clarity emerges before they make a purchase. Many global investors have been raising caution over the global economies. Although the stock markets across the world have seen a spurt in the last few months as large investors moved away from safe.

### MINING

- Coal India: State-owned Coal India Ltd (CIL) has registered a 77% growth in e-auction sales, under five windows, at 68.3 million tonnes (MT) during the April-November period of the ongoing fiscal. The upsurge in the booked or allocated quantity of coal was close to 30 MT, in absolute terms, compared to 38.6 MT booked during the same period a year ago, CIL said in a statement.

### NBFC

- Muthoot Finance said that it plans to raise Rs. 1000 Cr by issuing secured redeemable NCDs with face value of Rs. 1000 each with a base size of Rs. 100 Cr with an option to increase the size by Rs. 900 Cr to Rs. 1000 Cr depending on the demand for the issue.
- Religare Enterprises clarified that it talks to divest Religare Finvest. Its debt restructuring plan not yet approved.
- RBI released draft norms indicating minimum financial ratios for NBFCs declaring dividends. The threshold levels will vary depending on the type of the NBFCs. All NBFCs should have GNPA ratio of less than 6% in the past three years including the year in which it is declaring dividend. Systemically important deposit taking NBFCs planning to declare dividend should have a capital adequacy ratio of at least 15% for past three years including the years including the year in which the dividend is being declared.

### OIL & GAS

- Indian Oil Corporation has said that its refinery utilisation has raised to 100% due to revival in demand. The company said that consumption of all petroleum products reached almost pre-COVID levels. It further added that while refinery utilisation was 88% in October it reached 99% in November.

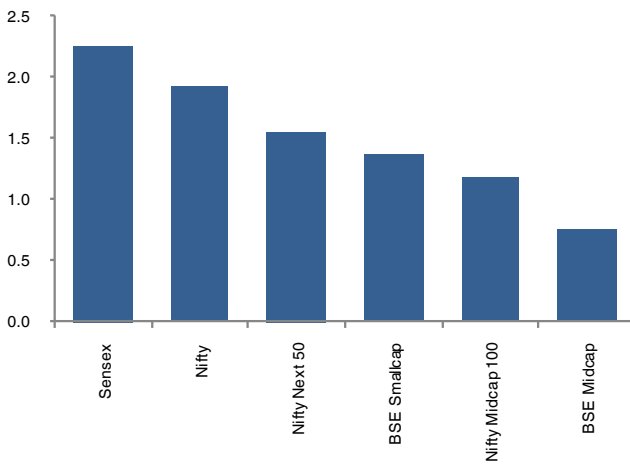
### PHARMA & HEALTHCARE

- Torrent Pharma has made voluntary nationwide recall of its Anagrelide Capsules, USP due to dissolution test failure, according to USFDA.

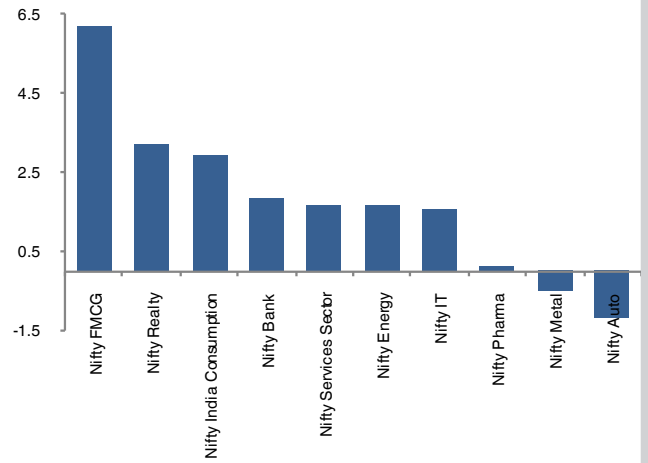
### POWER

- GE Power India: Board of directors appointed Yogesh Gupta, as an additional director and whole-time director & chief financial officer.

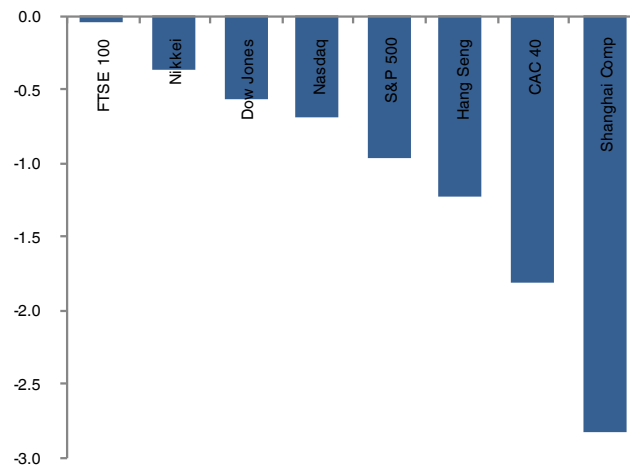
INDIAN INDICES (% CHANGE)



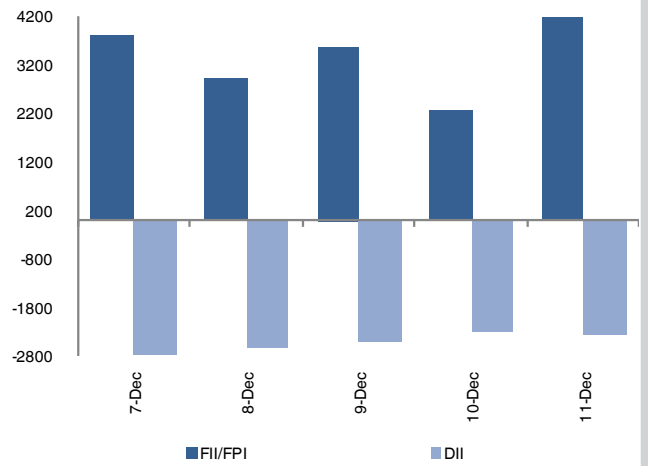
SECTORAL INDICES (% CHANGE)



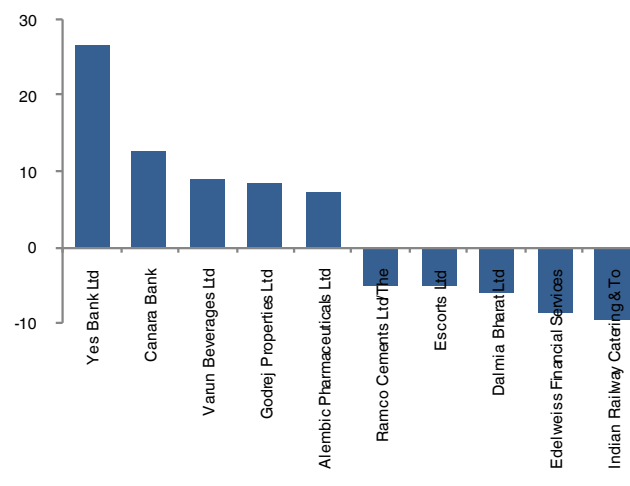
GLOBAL INDICES (% CHANGE)



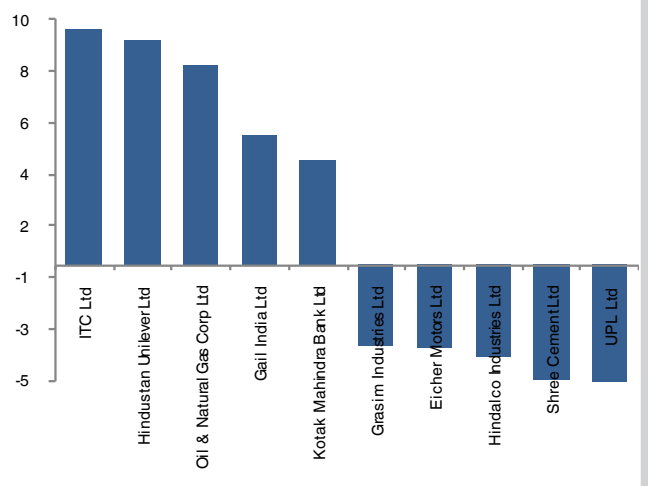
FII/FPI & DII TRADING (IN RS. CRORES)



NIFTY MIDCAP100 TOP GAINERS & LOSERS (1W)



NSE NIFTY TOP GAINERS & LOSERS (1W)



Source: Karvy Research

BEAT THE STREET - TECHNICAL ANALYSIS

NTPC Ltd



| STOCK     | NTPC    |
|-----------|---------|
| CMP       | 102     |
| ACTION    | BUY     |
| ENTRY     | 100-101 |
| AVERAGE   | 95-96   |
| STOP LOSS | 89      |
| TARGET 1  | 115     |
| TARGET 2  | 120     |

On the technical front, NTPC has higher highs and higher lows on the daily charts and is currently placed above the long-term EMAs in the daily frame. In the recent past, after clocking a low of 78 levels, the stock has witnessed a bounce and rallied to the current levels. At the current juncture, the stock has formed a base of around 89 levels on the lower side and is all set to move higher. The overall chart structure of the counter looks bullish from current levels and is witnessing a bounce from the support zone around 95-96 levels. This may trigger a fresh round of buying which may take the stock towards 115 plus levels. The stock is currently performing in line with the broader markets indicating the inherent strength in the counter and is trading well above the major long-term support levels. On the Bollinger band (20,2) the stock price is trading above the mean with the upper band facing in the northward direction indicating the price likely to move higher. Analyzing the recent volume price action, the volumes have been encouraging in the recent up move indicating strong hands have started accumulating the stock at current levels. On the oscillator's side, RSI (14) is trading in a comfortable zone of above 60 levels indicating the intact bullishness in the stock. We expect the counter to continue its outperformance in the coming trading days as well and may move towards 120 levels in the medium-term. Any correction towards the recent support levels of 89 levels may be utilized to average the positions.

ITC Ltd



| STOCK     | ITC     |
|-----------|---------|
| CMP       | 216     |
| ACTION    | BUY     |
| ENTRY     | 214-215 |
| AVERAGE   | 200     |
| STOP LOSS | 194     |
| TARGET 1  | 240     |
| TARGET 2  | 250     |

On the technical front, ITC has higher highs and higher lows on the daily charts and is currently placed above the long-term supports. In the recent past, after clocking the high of 309 levels, the stock has witnessed a round of profit booking which dragged the counter below the long-term moving average of 200-DEMA on the daily charts. At the current juncture, the stock is forming a base around 200 levels on the lower side and is all set to move higher. The overall chart structure of the counter looks bullish at the current levels forming higher highs and higher lows. This may trigger a fresh round of buying which may take the stock towards 240 plus levels. The stock's performance is in line with the broader markets indicating the inherent strength in the counter and is trading well above the long-term support levels. On the Bollinger band (20,2) the stock price is plotting above the mean indicating the price likely to trend higher. Analyzing the recent volume price action, the volumes have been encouraging in the recent up move indicating strong hands have started accumulating the stock at current levels. On the oscillator's side, RSI (14) is trading in a comfortable zone of above 80 levels indicating the bullishness in the stock. We expect the counter to continue its outperformance in the coming trading weeks as well and may move towards 250 levels in the short term. Any correction towards the recent support levels of 194 levels may be utilized to average the positions.

INDEX SNIPPETS

**NIFTY (13513.85):** Indian equity benchmark index Nifty 50 closed higher by 1.93% during the week. During the last eight months, the index witnessed a bounce towards the current levels after correcting from 12150 levels towards the low of 7511 levels. Technically, from March 2020, the index is forming higher highs indicating the strong bullish strength of the index. However, the index may resume its bearish bias if it breaches and sustains below 11950-11970 levels in future sessions. On the global front, Asia-Pacific markets traded mixed on Friday as investors kept an eye on negotiations over additional fiscal stimulus in the US. European markets closed lower as investors monitored stalling US fiscal stimulus talks and the rapidly approaching deadline for Brexit negotiations. On the US front, S&P 500 falls for a third straight day to close out a losing week as stimulus uncertainty remains. US' Friday's moves came as negotiations over a coronavirus relief deal dragged on. Lawmakers seek to pass a bill before the end of 2020, but disagreements over state and local stimulus, unemployment assistance, and stimulus checks still exist. Domestically, for the week, on the data front, investors may focus on the CPI (YoY) (Nov) data and WPI Inflation (YoY) (Nov) data releasing on Dec 14. On the derivatives front, open interest data suggests that the index may find its supports around 13000 followed by 12500 levels while on the higher side, 13600 and 14000 levels may act as strong resistance.



**NIFTY PSU BANK** continues to be the best performing sectoral index on the NSE with weekly gains of 7.7% versus Nifty's gains of 1.9%. Nifty PSU Bank index is exhibiting a bullish pattern as it is currently trading above all moving averages (21, 100 and 200). Some of the factors contributing to the rally include it was among the beaten down sectors whose valuations have completely eroded during the covid correction. The rally in the PSU Bank stocks is more of catch-up rally. Even after 46% rally from covid correction lows, the index is still 26% below pre-covid highs. When compared to Nifty which is making fresh highs and Nifty Private Bank index which is just 5% away from pre-covid highs, Nifty PSU Bank has in a way underperformed. After making fresh closing high after RBI policy meet, the index corrected and took support at 1780 levels and bounced back on profit booking as indicated by us. This week's performance was led by BoB, PNB and Canara Bank, which have gained more than 10% each with Indian Bank being the top gainer. All the index components have ended in green with Bank of Maharashtra being least performer with gains of 2%. After such a strong rally over past month we expect the index to consolidate a bit in the coming days. Bank Nifty might face resistance at 1845, followed by 2000.. On the downside, the index may take support at 1780, followed by 1670.



**NIFTY FMCG** was the best performing index, closing higher by 6.2% (430 bps higher than benchmark index), for the week gone by. The week started with positives tone as the MPC held rates stable, despite rising inflation, thereby giving an impetus to consumption. Additionally, the full year GDP numbers were also upgraded, providing plenty of positive momentum to the market for the week. Two of the top performing stocks for the week from the benchmark index was from FMCG sector, ITC topping the charts, up 9.1% and HUL in 2nd, up 8.7%. The midcap index also saw Varun Beverages lead the charts from the sector, up 8.9% for the week. These market leaders are bound to be the early gainers and recover fastest as we move back towards a recovery phase. The IIP numbers announced over the weekend (3.6%, 8 month high) was above market expectations; therefore we expect the positive momentum to continue in the early stages of the coming week. Valuations continue to be higher for the FMCG stocks and therefore the upside from here on will be limited within the space. However, we can expect a continued rally in the midcap space for the sector, for companies such as Varun Beverages, Jyothy laboratories, etc. The breakout from 31800 levels took place last Friday and the index has continued to ride on the momentum for the week. It current is at near all time highs and hovering around ket significant support levels of 34300 and 33900.



## BULLION

It was a roller coaster ride for the global precious metals market in the last week ending on 11th December 2020 with gold prices starting the week on a positive note bouncing back from 5-month fall. Weakness in the dollar index and hopes of a U.S. fiscal stimulus package being passed during the week pushed the gold to trade higher in first half of the week. The non-farm payrolls in the United States for the month of November rose by 245,000 against prior month increase of 610,000 while unemployment rate came at 6.7% against prior month reading of 6.9%. The dollar index, which measures strength of the greenback against six major currencies, is trading at fresh 2 ½ years to trade below 91.00. Second wave of coronavirus in the United States is resulting into fresh lockdown in California, which is attracting safe-haven buying in the gold. Japanese prime minister said that his government will compile a new COVID-19 economic stimulus package totalling \$708 billion with fiscal measures at \$385 billion. Pfizer Inc cleared the next hurdle in the race for its COVID-19 vaccine emergency approval in the United States after the drug regulator released documents that raised no new issues about its safety or efficacy. According to the World Gold Council, the buying spree in the gold ETF was ended in November as the prices fell from all-time highs. All the ETF put together have reduced their holdings by 107 tons in November. ETFs added 916 tonnes in the first 11 months of the year, significantly more than in any previous full year. The U.S. weekly jobless claims jumped to a near three-month high of 853,000 against prior week reading of 716,000, further evidence that rising COVID-19 infections and lack of additional fiscal stimulus were hurting the economy. The European Central Bank rolled out yet more stimulus measures on Thursday to lift the currency bloc out of a double-dip recession and provide support to the economy.

## ENERGY

The global oil market showcased a positive trend for the sixth consecutive week in the last week ending on 11th December 2020 on hopes of revival in global oil demand following revival of economic activity after roll out of vaccine. The OPEC+ members agreed to ease the production cut from January 2021 and set to reduce production by 7.2 million bpd from January, compared with current cuts of 7.7 million bpd. OPEC+ was expected to continue existing cuts until at least March after backing down from plans to raise output by 2 million bpd. U.S. gasoline consumption fell during the Thanksgiving holiday week to the lowest in more than 20 years as coronavirus cases surged and government officials urged residents to stay home. Iran has instructed its oil ministry to prepare installations for the production and sale of crude oil at full capacity within three months. The American Petroleum Institute (API) reported that U.S. crude oil, gasoline and distillate stocks rose sharply last week, with crude stocks jumping by 1.14 million barrels. Britain started mass-vaccinating its people on Tuesday in a global drive that poses one of the biggest logistical challenges in peacetime history. The EIA reported that U.S. crude oil production is expected to slide next year by 240,000 barrels per day (bpd) to 11.10 million bpd. According to Energy Information Administration, the crude oil inventories in the United States rose by 15.2 million barrels last week against prior week drop of meagre 0.7 million barrels. The two wells at a small oilfield in northern Iraq were set ablaze in what the government called a "terrorist attack", though production was not affected. Brent oil futures crossed \$50 a barrel for the first time since March 2020 while WTI is trading above \$46 a barrel.

## BASE METALS

Non-ferrous metals market showcased a positive trend tracking stronger global equity market, weakness in the dollar against major currencies, robust demand from China and positive economic data. Roll out of vaccine by Britain and preparedness by other nations pushed the global equities market higher. China's November copper imports fell for a second consecutive month to a six-month low. In November, Chinese unwrought copper and copper products import totalled 561,311 tons, down 9.2% from 618,108 tons in October. The Chinese CPI came in at -0.5% in November against prior month reading of 0.5% while PPI recorded at -1.5% against -2.1%. Orders at galvanising producers in north China improved as environmental restrictions eased, and orders from overseas at die-cast zinc alloy producers also increased. Copper inventories at LME registered warehouse have fallen 20% since mid-October to 149,575 tonnes. Stocks in warehouses monitored by the Shanghai Futures Exchange are near their lowest since 2014. A union in contract negotiations with Antofagasta at its Centinela mine has reached an agreement with the Chilean miner. Chile's state-owned Codelco said that it had reached an early contract agreement with a union at its Radomiro Tomic mine. Russian aluminium giant United Company Rusal sees the arbitrage window to sell metal into top consumer China opening more often in future after a bumper year for shipments.

## NEWS DIGEST

- Gold was steady as the dollar strengthened amid weak risk sentiment, while fading prospects for a U.S. stimulus deal and poor jobs data raised questions over the economic recovery. European stocks and U.S. equity futures fell as investors wound up the week with risk-off trades, amid a worsening of the coronavirus pandemic. German cases and deaths rose the most since the outbreak began, while Indonesia reported record deaths. The dollar strengthened the most in almost two weeks, putting pressure on gold. U.S. efforts to draw up a coronavirus relief package hit another roadblock as Senate Majority Leader Mitch McConnell's top lieutenants said key portions of a compromise proposal aren't likely to get backing from most Republicans. Meanwhile, applications for U.S. unemployment benefits surged last week, topping estimates with the highest level since September, casting a shadow over the strength of the recovery.
- Oil took a breather following a swift run-up to a nine-month high, as concerns over an impasse in Washington about stimulus tempered optimism around an eventual demand recovery. Futures fluctuated near \$47 a barrel in New York alongside a broader market decline as bipartisan talks on another round of U.S. fiscal stimulus stalled. Meanwhile, following Brent's rally above \$50 a barrel on Thursday, the benchmark settled technically overbought in a sign it was due for a pullback. "After the feeding frenzy yesterday, everyone's just taking a breath," said Gary Cunningham, a director at Stamford, Connecticut-based Tradition Energy. Meanwhile, "the U.S. stimulus package still has its hurdles to get over," delaying a possible boost to the demand outlook.
- China's Shanghai Futures Exchange (ShFE) said on Friday it would extend a waiver on delivery fees for all commodities traded on the exchange and the subsidiary Shanghai International Energy Exchange (INE) by one year, to Jan. 10, 2022. The ShFE and INE had in March waived the fees until Jan. 8, 2021, in an effort to ease the financial pressure on market participants, who at the time were reeling from the impact of the novel coronavirus outbreak in China. Base metal stocks in ShFE-registered warehouses were mounting then amid a collapse in consumption but have dropped sharply since, as China's rapid economic recovery from the virus spurs demand.
- Argentine grains inspectors and oilseeds workers said on Thursday they would extend a wage strike as stalling contract negotiations threaten to interrupt exports from one of the world's main grain producers. Argentina, a top global supplier of corn, soybeans and wheat, is suffering a spate of strikes in its agricultural sector as workers seek pandemic-linked bonuses and higher payouts to keep up with a high inflation rate. The oilseeds workers' federation and the URGARA union, representing workers who inspect grains at port, started the 24-hour strike on Wednesday, when they had said it could be extended a day. "In the face of the total lack of response from the employers' chambers, we have decided to extend the national strike in the oilseeds and grain export sector," the unions said in a statement. The CIARA-CEC export companies' chamber, which represents the crushing and export companies, contends that the unions are seeking excessive salary increases.