

## Metals Strategy: The Week Ahead, December 3—7 2018

Its another busy week, as the kneejerk positive commodities reaction to the 90-day trade truce between China & US will be tested. We think this temporary truce isn't a long term game changer for the current US-China Cold War, *but* its an important inflection point in the short-term... its a 90day cooling period/window of opportunity that together with the recent dovish tilt from the Fed, and the fact that base metals has priced in 'worst case' trade tariff scenarios, could creates some upside risk to metals pricing into yearend and Q1'19. Metals/commodities now have to begin pricing in SOME probability of a permanent legitimate US-Sino deal that could be reached (even though its unlikely, its higher now than before G-20). The especially oversold and fundamentally tighter metals should be the better responders...

*Note: equity & Fixed income markets are closed on Wednesday for a national day of mourning for George H.W Bush.*

### MACRO

#### **Brexit**

- with the crucial parliamentary vote for Mays Brexit plan due Dec 11<sup>th</sup>, and focus on trade war taking a backseat as we enter the 90day cooling period, the UKs exit from the EU will be in focus and will impact commodities via broader \$ trends.
- At least 90 Conservative MPs, the Democratic Unionist party and all opposition parties have pledged to vote against her deal

**Powell testimony:** scheduled to testify on "The Economic Outlook" on Wednesday, but check whether this is rescheduled due to national holiday

- Given Powells remarks last Wednesday (theres "no preset" policy path and rates were hovering "just below estimates of neutral"), and subsequent Fed speak that outlines a largely tentative Fed who will be more cautiously than usual monitoring the data, investors will be interested to see if this 'dovish tilt' continues and will look for clarification.
- See our Fixed Income strategists weekly highlighting thoughts on the recent Fed remarks and minutes ("the Fed will be more tentative about raising interest rates" ... they "will raise rates, but it will be moving if not in fact more slowly, at least more carefully, and trying not to break things...")
- Check <https://www.jec.senate.gov/public/index.cfm/hearings-calendar> for any update rescheduling Powells Speech

#### **Canada: BOC decision:**

- BOC decision on Wednesday where economists (and Scotiabank Economics, full report [here](#)) expect them to hold given oil prices move both domestically and globally.

#### **NFP:**

- The jobs report is expected to show wages picked up (AHE up to 0.3% MoM), but hiring overall cooling (to 205K jobs, vs the 250K in October).
- Report is timely given the mixed monetary policy signals the market is receiving as policymakers struggle with questions around stalling inflation trends, US housing market losing momentum, etc

#### **OPEC: Thurs & Friday**

- After the (over-the-top?) high-five between for MbS and Putin and the unity the two showed amid all the controversies, momentum shifted and expectations strengthened of coordinated supply cut ahead of the key OPEC+ meeting on Dec 6. "There is no final decision on volumes, but together with Saudi Arabia we will do it," Putin said.
- Alberta / Canada is also doing its part, and has ordered producers in the province to cut output by 325k bpd
- Unconfirmed reports indicates a 1.3mbpd cut from OPEC+ (which would erase the whole Saudi run up in output YTD).
- An oil rally would be generally constructive all metals, helping to lift all boats & sentiment.

#### **CONTACTS**

**Nicky Shiels**

**Commodity Strategist (Metals)**

212-225-6724

Commodities Derivatives

[nicky.shiels@scotiabank.com](mailto:nicky.shiels@scotiabank.com)

**MICRO****Monday:**

- US vehicle sales:
- Glencore Plc investor update call
- Singapore Exchange Ltd. Starts trading high-grade iron ore futures

**Tuesday:**

- Vale SA briefs investors on the market, NYC

**Wednesday:**

- LBMA seminar, biennial dinner, in London.
- S&P Global Platts Global Energy Outlook Briefing

**Thursday:**

- OPEC Vienna, with delegates including Saudi Energy Minister Khalid Al-Falih.
- Bloomberg hosts “The Year Ahead” in Tokyo. Global CEOs talk about trends and challenges in the year ahead

**Friday:**

- OPEC, non-OPEC meet, press conference

**Saturday:**

- China’s customs office commodity & energy trade data for November, including crude oil, steel, iron ore, soybeans, some metals

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