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## Oil flows freely south

FTSE 100 Index called to open -5pts at 6220, still under pressure overnight with a late bounce failing at 6250 seeing breached support from Thursday's lows turn resistance. For now, 6200 remains pivotal, however, a break below would likely signal a bearish flag pattern that could complete around rising support from end-August at 6100. Watch levels: Bullish 6260, Bearish 6190.

The negative open comes after a down day in the US and Asia with the commodity rout, notably Oil hitting 6/7 yr lows in the wake of a divided OPEC meeting on how to deal with a global supply glut, and a USD recovery from last week's lows. This weighed on the region's energy and mining names with the likes of BHP and RIO and giving up 4-5% down-under, while a worse than expected Chinese exports didn't help the cause, exacerbating economic slowdown fears, even if Japan exited technical recession.

US bourses slid yesterday as the oil market tanked after OPEC stuck to its policy of not limiting output, and basically abandoned its official production target at last week's meeting. With just about zero market confidence left in the world's most influential oil producing cartel, a long term stay in the \$30s beckons for WTI. That's weighed on energy stocks to put pressure on indices both in Europe and the US, as well as keeping the outlook for inflation muted everywhere.

While a US rate hike is almost certain this month, still falling oil prices will surely keep the rate of US tightening and European policy as a whole extremely accommodative, while remaining a cause for concern within the US Fed, whose inflation forecasts depend on a stable oil price.

In focus today, we have UK Industrial and Manufacturing Production for October expected to show a mixed picture with the former returning to growth but the latter going negative. After the ECB disappointment of last week, a slower pace of Eurozone GDP growth is likely to revive calls of Draghi over-promising and under-delivering. After a poor BRC Retail Sales figure overnight, keep an eye on the UK-listed retailers who may have had it harder than expected in November.

In the afternoon, with every piece of US data sure to be scrutinised ahead of a potential US rate rise on 16 Dec, watch out for NFIB Small Business Optimism seen improving slightly for Nov and JOLTS Job Openings up a tick in Oct, although IBD/TIPP Economic Optimism is forecast down a touch.

Gold is up off overnight lows with the USD still weighing ahead of next week's FOMC meeting. It's also seemingly tracking the oil price - with crude futures taking a break from their declines too. Limited upside seen for metals as a whole as demand from China continues to fall, evidenced by a fifth straight weekly decline in exports.

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Contact us +44 (0)1202 770386 [action@proactiveinvestors.com](mailto:action@proactiveinvestors.com)

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