

Gold

Technical

Gold markets rallied a bit during the trading session on Monday, breaking above the \$1260 level. By doing so, the market looks likely to go much higher, perhaps aiming towards the \$1275 level next. The \$1250 level underneath should offer massively supportive, so pay attention to the US dollar, as it tends to move to the opposite direction. If the US dollar continues to fall, gold should continue to rally. Right now, looks like we will probably do this. If we were to break down below the \$1250 level, the market would probably drop rather rapidly, as it was established support of the last several sessions. Gold markets will react to geopolitical concerns, so if we get some type of negative headline crossing the wires, we could see gold rally. I have no interest in shorting, least not until we break below the \$1250 handle. Gold markets can be rather erratic so be careful when adding to your position

Pivot:	1,263		
Support	1,256	1,250	1,245
Resistance	1,267	1,272	1,276

Highlights

- Gold traded little changed in early session amid a steady dollar with investors monitoring the progress of the US tax reform bill
- The Dollar remained mired in its recent ranges, as optimism that the US tax reform bill would pass duelled
- The Bank of Japan is expected to maintain its massive stimulus programme
- SPDR Gold Trust, said its holdings fell 0.84 per cent to 837.20 tonnes yesterday
- Minneapolis Fed President worries on weak inflation and a flattening of the yield curve

Gold - Technical Indicators

RSI 14	62.73
SMA 20	1,259.2
SMA 50	1,259.6
SMA 100	1,253.4
SMA 200	1,270.4

Gold Daily Graph



Source: Meta Trader

Fundamentals

- Gold prices edged higher today in Asian trading session as the U.S Dollar weakened, with investors considering the potential impact of a sweeping tax legislation in the United States that Congress appeared all but certain to pass this week.
- Spot gold was up 0.2 percent at \$1,263.61 an ounce. U.S. gold futures rose 0.1 percent to \$1,267 an ounce. Two Senate Republican holdouts agreed on Monday to support the tax overhaul backed by President Donald Trump, with the House of Representatives set to vote on Tuesday and the Senate either later on Tuesday or on Wednesday.
- Passing the tax reforms and getting the bill signed this week should reasonably drag gold prices lower as it means more appetite to risk assets, higher interest rates, and higher Dollar.
- However, the flattening in the yield curve could likely cap any dollar gains. Optimism surrounding the bill has helped equities surge to record highs, but the dollar remained mired in its recent ranges in subdued trade, as investors mulled over its ultimate effect on economic growth.
- We are somewhat wary about gold's upside potential here and would not be buying it at current levels as we think there are more reasons working against it at this stage than for it.
- Higher equities, surging bitcoin prices, and the possibility that the tax bill could trigger a modest short-term uptick in both the dollar and U.S yields could weigh on gold.
- Even as the Congress moved closer to the tax reform, outgoing Federal Reserve Chair Janet Yellen last week gave a more sobering assessment of its impact, saying a short-term bump is likely, but a longer-term boost is not. We expect prices to work higher through the headwind of firmer U.S. monetary policy.

US Commodity Futures Trading Commission (CFTC) Data

Date	Large Speculators			Commercial			Small Speculators			Open Interest
	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	
12/27/2016	337251	72353	82%	120854	284003	30%	49448	31277	61%	384,974
01/03/2017	340748	74460	82%	115571	287002	29%	51148	36,819	61%	450555
01/10/2017	291266	84634	77%	116493	311865	27%	53520	32958	62%	499110
01/17/2017	274589	77454	77%	118610	304141	28%	49810	33791	60%	493086
01/24/2017	295688	67069	82%	127081	327075	28%	51562	30399	63%	510579

Source: CFTC

Crude Oil

Technical

The WTI Crude Oil market initially tried to rally on Monday, breaking above the \$57.50 level, but then rolled over to break down through that area, to reach the \$57 level. I think that this market is looking likely to go lower, as we have certainly seen a significant shift in attitude during the day on Monday. At this point, I think that short-term rallies will be selling opportunities, as the market looks likely to look towards the \$56 level underneath. If we were to break above the highs of the day on Monday, that would be an extraordinarily bullish sign, but as I record this looks very unlikely to happen. Crude oil markets continue to be very noisy, and with the lack of volume over the next couple of weeks, they could be a very dangerous way to trade. By using small positions, it's probably a much safer market to be part of. Brent markets went over and reached through the \$63 level during the day.

Pivot:	57.40		
Support	56.80	56.45	56.10
Resistance	57.85	58.15	58.55

Highlights

- Oil futures ended slightly lower yesterday, failing to hang on to early gains
- Nigerian oil workers agreed to suspend a strike yesterday
- West Texas Intermediate crude for January delivery on the New York Mercantile Exchange fell to end at \$57.16 a barrel
- Nigerian oil workers agreed to reopen talks with management next week
- The EIA said it expected U.S. production to hit a record 10.02 million bpd in 2018, on par with Saudi Arabia

Crude - Technical Indicators

RSI 14	75.71
SMA 20	49.03
SMA 50	48.70
SMA 100	47.55
SMA 200	50.11

Crude Oil Daily Graph



Source: Meta Trader

Fundamentals

- Oil markets edged up today as the Forties pipeline outage in the North Sea and voluntary production restraint led by OPEC supported prices, although soaring output in the United States put a cap on gains.
- U.S West Texas Intermediate (WTI) crude futures were at \$57.35 a barrel, up 19 cents, or 0.3 percent, from their last settlement. International Brent crude futures were at \$63.56 a barrel, up 15 cents.
- There has been little price movement in recent trading, with Brent moving within a \$63.00 to \$63.91 per barrel range since last Friday. Some upward pressure was taken off after an oil worker strike was called off in Nigeria.
- Despite this, crude has been generally supported by the ongoing Forties pipeline system outage in the North Sea, which provides crude underpinning Brent futures.
- The Forties pipeline closure will continue to put a floor under Brent crude. Further price support has been coming from voluntary supply cuts by the Organization of the Petroleum Exporting Countries (OPEC) and a group of non-OPEC producers including Russia.
- The cuts were introduced in January and are currently set cover all of next year, but Russia's Rosneft said on Monday they could be extended beyond 2018. U.S. shale production alone is expected to rise by 94,000 bpd in January, marking a 13th consecutive month of increases, the U.S Energy Information Administration said late yesterday.
- OECD industry inventories declined by 40 million barrels in October to 2.92 billion barrels, while global inventories decreased by 61 million barrels to 5.48 billion barrels. This clearly indicates that the market in 4Q17 is in material (1 million barrels per day) supply deficit.

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	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	
12/27/2016	458,206	105,441	81%	560,983	925,531	38%	82,700	70,917	54%	1,598,935
01/03/2017	462,028	106,739	81%	557,217	927,085	38%	85,279	70,700	55%	1,615,844
01/10/2017	454,829	123,816	79%	571,328	916,651	38%	87,594	73,282	54%	1,619,796
01/17/2017	463,186	135,835	77%	560,029	897,400	38%	87,590	77,633	53%	1,623,027
01/24/2017	473,506	133,457	78%	558,910	898,363	38%	79,121	79,717	50%	1,613,293

Source: CFTC

Silver

Technical

Silver markets gapped lower initially during the Monday trading session but then rallied significantly to blow through that gap. Because of this, we broke out to the upside, pulled back to the \$16 handle, and then continue to go to the upside. I think if we can break above the recent highs, the market should then go to the \$16.35 level. Short-term pullbacks offer value, and I believe that longer-term traders are continuing to add to their positions and therefore I think it's only a matter of time before we rally every time we dip. I think that the market is probably best being traded from a short-term perspective, unless of course you can hang onto physical silver. If we break down below the \$15.90 level, the market will continue to drop, but I think in the meantime pullbacks will probably find plenty of buyers between here and there. Longer-term, I think we're going to go looking towards the \$16.50 level.

Pivot:	16.16		
Support	16.05	15.92	15.80
Resistance	16.25	16.30	16.35

Highlights

- Silver edged up 0.1 percent to \$16.06 an ounce in yesterday's session
- Asian stocks advanced today after a record-setting session on Wall Street
- Minneapolis Fed Bank President Neel Kashkari said he voted against the Fed's decision to raise interest rates last week
- The rally in precious metals likely due to strong jewelry demand coming from China
- Goldman, however, sees a negative six percent return from precious metals in 2018, mainly due to lower gold price estimate

Silver - Technical Indicators

RSI 14	78.27
SMA 20	17.25
SMA 50	17.16
SMA 100	16.79
SMA 200	16.88

Silver Daily Graph



Source: Meta Trader

Fundamentals

- Silver Gold edged higher as uncertainty over U.S. tax legislation weighed on the dollar, while an analyst said bullion might face renewed headwinds early next year.
- The dollar index fell, making bullion denominated in the greenback cheaper for buyers using other currencies, as concerns grew over whether the proposed U.S. tax code overhaul would have a major impact on economic growth.
- If the tax bill were to pass, we think the gold price would fall lower. That has to do with stronger growth, more room for the Fed to normalize interest rates. That should create a headwind for investors.
- Higher interest rates usually push gold lower because they raise bond yields, reducing the appeal of non-yielding bullion, and boost the dollar, making gold more expensive for holders of other currencies.
- If the tax proposal were to fail, there would be some reason to think there's political risk at that point because it would take the market by surprise, and that would provide some support for precious metals.
- Top U.S. Republicans expect Congress to pass the bill this week, with votes in the House of Representatives and Senate as early today. A final bout of dollar strength could hit gold and silver into 2018, but then it should recover.
- Silver was up 0.4 percent at \$16.12 an ounce after rising to a nearly two-week high of \$16.17. Silver investment demand is expected to be virtually flat in 2018, as geopolitical and economic concerns continue to draw buying interest, New York-based CPM Group said yesterday.
- Kashkari has dissented from all three of the U.S. central bank's decisions to raise interest rates this year and had previously cited inflation as his chief concern.

US Commodity Futures Trading Commission (CFTC) Data

Date	Large Speculators			Commercial			Small Speculators			Open Interest
	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	
12/27/2016	42,097	29,999	58%	56,157	75,843	43%	23,121	15,533	60%	132,501
01/03/2017	42,083	27,402	61%	54,280	79,052	41%	24,963	14,872	63%	132,475
01/10/2017	41,285	23,950	63%	53,875	79,404	40%	23,378	15,184	61%	131,294
01/17/2017	41,287	24,798	62%	58,869	83,678	41%	21,523	13,203	62%	136,158
01/24/2017	41,334	26,466	62%	60,600	84,551	42%	21,666	13,583	61%	139,468

Source: CFTC

Commodity News

Tuesday, December 19, 2017



Data Calendar

Economic Data

Date	Time	Event	Importance	Actual	Forecast	Previous
Tue Dec 19	02:00	NZD Westpac Consumer Confidence (4Q)	Medium	107.4		112.4
Tue Dec 19	03:30	AUD ANZ Roy Morgan Weekly Consumer Confidence Index (DEC 17)	Low	116.5		115.1
Tue Dec 19	05:00	NZD ANZ Activity Outlook (DEC)	Medium	15.6		6.5
Tue Dec 19	05:30	AUD RBA Dec. Rate Meeting Minutes	Medium			
Tue Dec 19	11:00	JPY Machine Tool Orders (YoY) (NOV)	Low	46.9%		46.9%
Tue Dec 19	14:00	EUR German IFO Business Climate (DEC)	Medium	117.2	117.6	117.6
Tue Dec 19	14:00	EUR German IFO Expectations (DEC)	Medium	109.5	110.8	111
Tue Dec 19	18:30	USD Housing Starts (MoM) (NOV)	Medium		-3.2%	13.7%
Tue Dec 19	18:30	USD Building Permits (MoM) (NOV)	Medium		-3.1%	5.9%

Source: Forex Factory, DailyFX

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