

## Gold

### Technical

Gold markets broke down significantly yesterday, reaching down to the \$1283 level before bouncing a bit. A rally from here should be a potential opportunity to start selling again, so if it can break down from here it's likely that we could drop from here. Economists believe that the \$1295 level above is a bit of the ceiling, not only beyond that it also have the previous uptrend line that should offer resistance at the \$1300 level. Ultimately, this is a market that will find plenty of sellers, as interest rates continue to rally in the United States. The \$1275 level underneath is the target, at least until to break above the \$1300 handle. The market has seen enough bearish pressure to warrant more selling, but the market is going to break apart drastically, and that the 10-year treasury note needs to be paid close attention to, as interest rates rising has deftly put a lot of selling pressure on gold.

|            |       |       |       |
|------------|-------|-------|-------|
| Pivot:     | 1,290 |       |       |
| Support    | 1,287 | 1,282 | 1,273 |
| Resistance | 1,294 | 1,301 | 1,306 |

Source: FX EMPIRE

### Highlights

- Gold prices dipped slightly, hovering not far off a 2018 low struck in the previous session as a firm dollar near five-month highs
- Around the \$1,275 level is going to start to attract more bullish sentiment
- Gold could benefit from safe-haven buying in the long run if that exuberance loses steam and inflation pressures mount
- Gold prices fell below the psychologically important level of \$1,300 an ounce last week
- The metal is also being weighed down as expected to lift U.S interest rates again next month

### Gold - Technical Indicators

|         |         |
|---------|---------|
| RSI 14  | 41.13   |
| SMA 20  | 1,325.5 |
| SMA 50  | 1,298.3 |
| SMA 100 | 1,288.0 |
| SMA 200 | 1,309.5 |

Source: FX EMPIRE

### Gold Daily Graph



Source: Meta Trader

### Fundamentals

- Gold prices were largely steady today, after posting a fresh low for the year-to-date in the previous session, as the U.S dollar took a breather from its recent rally to trade below a five-month high.
- Spot gold was nearly unchanged at \$1,292.66 per ounce. In the previous session, it slid to \$1,281.76, its lowest since Dec. 27. U.S gold futures for June delivery climbed 0.1 percent to \$1,292.50 per ounce.
- The dollar index, which measures the greenback against a basket of six major currencies, was 0.2 percent lower at 93.478. The dollar had advanced to a five-month high against a basket of currencies yesterday, as news of a truce between the United States and China on trade tariffs prompted investors to pare back short positions on the greenback.
- Washington and Beijing both claimed victory as the world's two largest economies stepped back from the brink of a global trade war and agreed to hold further talks to boost U.S exports to China.
- Rising inflation means the U.S Federal Reserve should hike interest rates two or possibly three more times this year, and could move as soon as next month, Philadelphia Fed President Patrick Harker said.
- Expectations that the Federal Reserve will lift U.S interest rates again next month added to downward pressure on gold. Higher U.S rates tend to boost the dollar and push bond yields up, make non-yielding assets like bullion less attractive.
- U.S Treasuries were steady yesterday, after benchmark yields rose to a seven-year peak last week, as investors awaited release of the latest Federal Reserve minutes on Wednesday. Accelerating inflation means the Fed should hike interest rates two or possibly three more times this year.

### US Commodity Futures Trading Commission (CFTC) Data

| Date       | Large Speculators |       |         | Commercial |        |         | Small Speculators |        |         | Open Interest |
|------------|-------------------|-------|---------|------------|--------|---------|-------------------|--------|---------|---------------|
|            | Long              | Short | Bullish | Long       | Short  | Bullish | Long              | Short  | Bullish |               |
| 12/01/2017 | 337251            | 72353 | 82%     | 120854     | 284003 | 30%     | 49448             | 31277  | 61%     | 384,974       |
| 12/08/2017 | 340748            | 74460 | 82%     | 115571     | 287002 | 29%     | 51148             | 36,819 | 61%     | 450555        |
| 12/15/2017 | 291266            | 84634 | 77%     | 116493     | 311865 | 27%     | 53520             | 32958  | 62%     | 499110        |
| 12/12/2017 | 274589            | 77454 | 77%     | 118610     | 304141 | 28%     | 49810             | 33791  | 60%     | 493086        |
| 12/29/2017 | 295688            | 67069 | 82%     | 127081     | 327075 | 28%     | 51562             | 30399  | 63%     | 510579        |

Source: CFTC

## Crude Oil

### Technical

The WTI Crude Oil market initially felt towards the \$71.25 level yesterday before finding buyers. By turning around the way it has, it looks as if it is going to go looking towards higher levels, perhaps trying to reach towards the \$72.25 level again, and then eventually breaking out to the upside. Economists think the buyers are most certainly in control, so that if it can stay above the \$70 level, the market is likely to continue to find support. Brent markets pulled back a bit during the session yesterday, reaching towards the \$70 level before finding buyers and it rally again. If it can break above the \$79.10 level, the market is likely to go to the \$80 level again and if it can break above there it's likely that the market will continue to go much higher. Short-term pullbacks should continue to be buying opportunities, and the gap from several sessions ago that extends down to the \$77 level.

|            |       |       |       |
|------------|-------|-------|-------|
| Pivot:     | 72.44 |       |       |
| Support    | 71.75 | 71.45 | 71.10 |
| Resistance | 72.65 | 73.25 | 73.80 |

Source: FX EMPIRE

### Highlights

- Crude oil hit its highest level since 2014, amid rising concerns that Venezuela's oil output could fall further
- U.S crude futures settled 96 cents or 1.4 percent, firmer at \$72.24 a barrel, after touching \$72.33
- Stabilizing trade relations between the countries could boost oil demand
- Investors have been concerned about oil prices all year long
- U.S crude oil has climbed by about \$10 a barrel over that time, and is now trading at about \$72 a barrel

### Crude - Technical Indicators

|         |       |
|---------|-------|
| RSI 14  | 35.14 |
| SMA 20  | 48.32 |
| SMA 50  | 50.76 |
| SMA 100 | 54.32 |
| SMA 200 | 59.24 |

Source: FX EMPIRE

### Crude Oil Daily Graph



Source: Meta Trader

### Fundamentals

- Oil prices rose today, with Brent edging closer to \$80 per barrel, on concerns that Venezuela's crude output could drop further following a disputed presidential election and potential U.S sanctions on the OPEC-member.
- The United States also toughened its stance on Iran and made a list of sweeping demands, which could further curb the country's crude oil exports and boost oil prices.
- Brent crude futures were at \$79.37 per barrel, up 15 cents or 0.2 percent, from their last close. Brent broke through \$80 for the first time since November 2014 last week. U.S West Texas Intermediate crude futures were at \$72.45 a barrel, up 21 cents or nearly 0.3 percent.
- Combined with expectations for falling Iranian production as the U.S pressures allies to reduce their imports, this will push crude oil prices up to \$80 a barrel and we think it can go higher.
- Oil inventory is tight and the U.S will probably tighten sanctions on Venezuela which will make the Venezuela situation worse and which means we can expect continued falling Venezuelan production.
- Hedge funds and other money managers cut their net long position in the six most important petroleum futures and options contracts by 16 million barrels in the week to May 15.
- Liquidation has been concentrated in crude oil, where the net long position in Brent and WTI has been reduced by a total of 124 million barrels over the last four weeks. Net long positions in Brent have fallen by 84 million barrels over five consecutive weeks.

### US Commodity Futures Trading Commission (CFTC) Data

| Date       | Large Speculators |         |         | Commercial |         |         | Small Speculators |        |         | Open Interest |
|------------|-------------------|---------|---------|------------|---------|---------|-------------------|--------|---------|---------------|
|            | Long              | Short   | Bullish | Long       | Short   | Bullish | Long              | Short  | Bullish |               |
| 12/01/2017 | 458,206           | 105,441 | 81%     | 560,983    | 925,531 | 38%     | 82,700            | 70,917 | 54%     | 1,598,935     |
| 12/08/2017 | 462,028           | 106,739 | 81%     | 557,217    | 927,085 | 38%     | 85,279            | 70,700 | 55%     | 1,615,844     |
| 12/15/2017 | 454,829           | 123,816 | 79%     | 571,328    | 916,651 | 38%     | 87,594            | 73,282 | 54%     | 1,619,796     |
| 12/12/2017 | 463,186           | 135,835 | 77%     | 560,029    | 897,400 | 38%     | 87,590            | 77,633 | 53%     | 1,623,027     |
| 12/29/2017 | 473,506           | 133,457 | 78%     | 558,910    | 898,363 | 38%     | 79,121            | 79,717 | 50%     | 1,613,293     |

Source: CFTC

## Silver

### Technical

Silver markets initially fell yesterday, reaching down to the \$16.25 level, an area that has been important more than once. It has bounced from there to reach towards the \$16.50 level, an area that has been resistance. It has pulled back a little bit during the trading session as that level offered enough resistance, extending to the \$16.60 level after that. Ultimately, the market will continue to react to the strength in the US dollar and of course geopolitical concerns. If it is to break above the \$16.60 level, that could free the Silver markets to go towards the \$17 level. In the short term, it looks like it is probably going to be pulled back slightly, perhaps finding support near the \$16.30 level. Market players believe that there are buyers underneath though, so any short-term move to the downside is probably somewhat limited. Short-term pullbacks offer value that investors will be willing to take advantage.

|            |       |       |       |
|------------|-------|-------|-------|
| Pivot:     | 16.45 |       |       |
| Support    | 16.34 | 16.24 | 16.16 |
| Resistance | 16.55 | 16.66 | 16.82 |

Source: FX EMPIRE

### Highlights

- The silver prices drifted lower as Global trade remains in focus
- The U.S Dollar rose to a fresh five-month high of 93.94 before paring most of its gains
- Main pressures dragging silver down in the near future will remain higher U.S dollar and rising U.S Treasury yields
- The U.S dollar and the downside in silver prices should be relatively modest
- Higher interest rates tend to weigh on demand for silver, which doesn't bear interest, in favor of yield-bearing investments

### Silver - Technical Indicators

|         |       |
|---------|-------|
| RSI 14  | 39.31 |
| SMA 20  | 17.68 |
| SMA 50  | 17.25 |
| SMA 100 | 16.93 |
| SMA 200 | 16.81 |

Source: FX EMPIRE

### Silver Daily Graph



Source: Meta Trader

### Fundamentals

- Silver prices moved in the red today, it was down by 0.6 percent at USD 16.33 an ounce. The benchmark 10-year U.S Treasury note yield is trading around 3.07%, on some increasing concerns about rising inflationary pressures.
- The world marketplace has been put a bit more at ease by news the U.S and China have agreed to set aside their trade dispute and not slap tariffs on each other's goods, for now. U.S Treasury Secretary Mnuchin made that announcement over the weekend.
- The U.S dollar index continues to appreciate, to the chagrin of the precious metals market bulls. The U.S dollar index scored a six-month high today. July Comex silver was last up \$0.055 at \$16.51 an ounce.
- Investors are still nervous regarding the potential for Italy's anti-establishment parties to form a government, and then pulling out of the European Union. Such has caused the yield spread between German and Italian government bonds to widen substantially.
- The silver price weakness started when U.S yields and the U.S dollar realigned again after four months of divergence. The combination of a stronger US dollar and higher US 10y nominal and real yields is a very negative environment for silver prices.
- The U.S Treasury yields will rise to 3.2% before the end of 2018. The Dutch bank also projects for the Federal Reserve to raise interest rates by another 75 basis points in 2018 and 50 basis points in 2019.
- The peak of growth and U.S Treasury yields are against the background of a deterioration of the fiscal balance in the US. So all in all, dollar fundamentals will deteriorate at the end of this year and this should result in a lower dollar and higher silver prices in 2019. The U.S dollar still has some upside potential left, but did not go as far as categorizing it as another bull run.

### US Commodity Futures Trading Commission (CFTC) Data

| Date       | Large Speculators |        |         | Commercial |        |         | Small Speculators |        |         | Open Interest |
|------------|-------------------|--------|---------|------------|--------|---------|-------------------|--------|---------|---------------|
|            | Long              | Short  | Bullish | Long       | Short  | Bullish | Long              | Short  | Bullish |               |
| 12/01/2017 | 42,097            | 29,999 | 58%     | 56,157     | 75,843 | 43%     | 23,121            | 15,533 | 60%     | 132,501       |
| 12/08/2017 | 42,083            | 27,402 | 61%     | 54,280     | 79,052 | 41%     | 24,963            | 14,872 | 63%     | 132,475       |
| 12/15/2017 | 41,285            | 23,950 | 63%     | 53,875     | 79,404 | 40%     | 23,378            | 15,184 | 61%     | 131,294       |
| 12/12/2017 | 41,287            | 24,798 | 62%     | 58,869     | 83,678 | 41%     | 21,523            | 13,203 | 62%     | 136,158       |
| 12/29/2017 | 41,334            | 26,466 | 62%     | 60,600     | 84,551 | 42%     | 21,666            | 13,583 | 61%     | 139,468       |

Source: CFTC

# Commodity News

Tuesday, May 22, 2018



## Data Calendar

### Economic Data

| Date        | Time  | Event  | Importance | Actual | Forecast | Previous |
|-------------|-------|--|------------|--------|----------|----------|
| Tues May 22 | 12:00 | CHF Money Supply M3 (YoY) (APR)                              | Low        | 3.3%   |          | 3.3%     |
| Tues May 22 | 13:15 | GBP BOE's Carney, Ramsden, Saunders, Vlieghe Speak in London | High       |        |          |          |
| Tues May 22 | 13:30 | GBP Public Finances (PSNCR) (Pounds) (APR)                   | Medium     |        |          | 0.5b     |
| Tues May 22 | 13:30 | GBP Central Government NCR (APR)                             | Medium     |        |          | 19.9b    |
| Tues May 22 | 13:30 | GBP Public Sector Net Borrowing (APR)                        | Medium     |        | 7.1b     | -0.3b    |
| Tues May 22 | 13:30 | GBP PSNB ex Banking Groups (APR)                             | Medium     |        | 8.5b     | 1.3b     |
| Tues May 22 | 17:30 | CAD Wholesale Trade Sales (MoM) (MAR)                        | Low        |        | 0.8%     | -0.8%    |
| Tues May 22 | 19:00 | USD Richmond Fed Manufact. Index (MAY)                       | Low        |        | 8        | -3       |
| Tues May 22 | 20:30 | USD U.S. to Sell 4-Week Bills                                | Low        |        |          |          |

Source: Forex Factory, DailyFX

**Disclaimer:** This document has been prepared by IGI Finex Securities Limited and is for information purposes only. Whilst every effort has been made to ensure that all the information (including any recommendations or opinions expressed) contained in this document (the information) is not misleading or unreliable, IGI Finex Securities Limited makes no representation as to the accuracy or completeness of the information. Neither IGI Finex Securities Limited nor any director, officer or employee of IGI Finex Securities Limited shall in any manner be liable or responsible for any loss that may be occasioned as consequence of a party relying on the information. This document takes no account of the investment objectives, financial situation and particular needs of investors, who shall seek further professional advice before making any investment decision. This document and the information may not be reproduced, distributed or published by any recipient for any purpose.

## Contact Details

### IGI Commodity Team

|                    |                                   |                    |                           |                            |
|--------------------|-----------------------------------|--------------------|---------------------------|----------------------------|
| Zaeem Haider Khan  | (Head of Commodity)               | Cell: 0321-4772883 | Tel: (+92-42) 35777863-70 | zaeem.haider@igi.com.pk    |
| Syed Zeeshan Kazmi | (Deputy Manager)                  | Cell: 0321-4499228 | Tel: (+92-42) 35777863-70 | zeeshan.kazmi@igi.com.pk   |
| Ehsan Ull Haq      | (Commodity Trader - Lahore)       | Cell: 0321-4861015 | Tel: (+92-42) 35777863-70 | ehsan.haq@igi.com.pk       |
| Muhammad Naveed    | (Branch Manager - Islamabad)      | Cell: 0345-5599900 | Tel: (+92-51) 2604861-62  | muhammad.naveed@igi.com.pk |
| Gul Hussain        | (Branch Manager - Faisalabad)     | Cell: 0344-7770878 | Tel: (+92-41) 2540843-45  | gul.hussain@igi.com.pk     |
| Asif Saleem        | (Branch Manager - Rahim Yar Khan) | Cell: 0334-7358050 | Tel: (+92-68) 5871652-56  | asif.saleem@igi.com.pk     |
| Mehtab Ali         | (Branch Manager - Multan)         | Cell: 0300-6348471 | Tel: (+92-61) 4512003     | mahtab.ali@igi.com.pk      |
| Zeeshan Kayani     | (Branch Manager - Abbottabad)     | Cell: 0333-5061009 | Tel: (+92-992) 408243-44  | zeeshan.kayani@igi.com.pk  |

### IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of  
Pakistan Stock Exchange Limited | Corporate member of  
Pakistan Mercantile Exchange Limited

#### Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,  
Khayaban-e-Jami Block-09, Clifton, Karachi-75600  
UAN :(+92-21) 111-444-001 | (+92-21) 111-234-234  
Fax :(+92-21) 35309169, 35301780  
Website : www.igisecurities.com.pk

#### Lahore Office

5-FC.C Ground Floor, Syed Maratib Ali Road,  
Gulberg II, Lahore.  
Tel :(+92-42) 95777863-70, 35876075-76  
Fax :(+92-42) 35763542

#### Islamabad Office

Mezzanine Floor Razia Sharif Plaza,  
90-Blue Area G-7, Islamabad  
Tel: (+92-51) 2802241-42, 2273439  
Fax: (+92-51) 2802244

#### Faisalabad Office

Room #: 515-516, 5th Floor, State Life  
Building, 2- Liaqat Road, Faisalabad  
Tel: (+92-41) 2540843-45  
Fax: (+92-41) 2540815

#### Stock Exchange Office

Room # 719, 7th Floor, KSE Building  
Stock Exchange Road, Karachi  
Tel: (+92-21) 32429613-4, 32462651-2  
Fax: (+92-21) 32429607

#### Rahim Yar Khan Office

Plot #: 12, Basement of Khalid Market,  
Model Town, Town Hall Road,  
Rahim Yar Khan  
Tel: (+92-68) 5871652-6  
Fax: (+92-68) 5871651

#### Multan Office

Mezzanine Floor, Abdali Tower,  
Abdali Road, Multan  
Tel: (+92-992) 408243-44

#### Abbottabad Office

Ground Floor, Al Fatah Shopping Center,  
Opp. Radio Station, Mandehra Road,  
Abbottabad  
Tel: (+92-99) 2408243-44