

Gold

Technical

The gold market started out higher today when stocks opened lower, but then gave back its gains when the US Dollar strengthened. The problem with gold at this time is that it is not a leader. It is trading more reactive than proactive. Until it regains its leadership qualities, it is likely to drift like it has been doing. With the Dow and S&P 500 Index at all-time highs, gold should be sharply lower. However, it is being propped up by silver prices. If I heard right, investors are buying silver and selling gold because of the distortion in the historical ratio. That's not a reason to be bullish gold. So the challenge for the gold market at this time is to prove its worth as an investment. It needs to become a leading market rather than a following market in order to sustain itself.

| | | | |
|------------|-------|-------|-------|
| Pivot: | 1,247 | | |
| Support | 1,244 | 1,235 | 1,227 |
| Resistance | 1,259 | 1,265 | 1,269 |

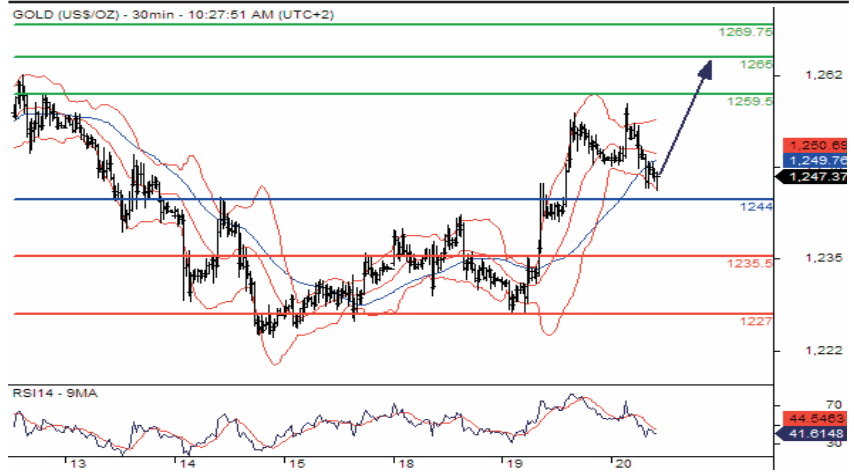
Highlights

- Gold retained sharp overnight gains today in U.S session
- Disappointing U.S housing data dented the dollar and supported the Fed's cautious stance on interest rates
- Permits for future home construction hit a one year low
- The Dollar fell 0.5 percent against a basket of major currencies on Tuesday although it ticked higher early today
- Report from the Commerce Department continued the recent run of weak data

Gold - Technical Indicators

| | |
|---------|----------|
| RSI 14 | 50.47 |
| SMA 20 | 1,234.14 |
| SMA 50 | 1,236.69 |
| SMA 100 | 1,165.36 |
| SMA 200 | 1,143.12 |

Gold Daily Graph



Source: Meta Trader

Fundamentals

- Gold prices eased today as a firmer dollar halted the previous day's rally, while silver held near an earlier 11-month peak, boosted by technical momentum and perceptions it is undervalued versus gold.
- Spot gold was down 0.2 percent at \$1,247.36 an ounce, off a one-week high of \$1,258.00 touched overnight. U.S. gold futures for April delivery were down \$4.90 an ounce at \$1,249.40.
- "Sentiment towards precious metals, particularly towards gold and silver, has been quite good both in the futures market and the ETF market, and that should help build a floor underneath prices.
- Fears about China sustained gold prices at the beginning of the year, but now that those have subsided, we're seeing other factors having a major impact: rising inflation expectations in the U.S and possibly negative rates in Japan. That should stimulate demand for gold.
- The dollar rose 0.1 percent against a currency basket on Wednesday, weighing on gold, while a 2 percent drop in oil prices fed into a softer tone across commodities.
- The weak data supported market sentiment that the Fed would find it hard to raise U.S. interest rates this year after hiking the overnight rates in December for the first time in nearly a decade. While futures markets imply no further hikes until December, Fed projections imply about two more hikes before year end.
- Gold is sensitive to rising interest rates, which lift the opportunity cost of holding non-yielding assets. Holdings in SPDR Gold Trust, the world's largest gold-backed exchange-traded fund, slid 7.43 tonnes to 805.03 tonnes on Tuesday, the biggest drop in a month. Persistent outflows could undermine the rally in gold prices.

US Commodity Futures Trading Commission (CFTC) Data

| Date | Large Speculators | | | Commercial | | | Small Speculators | | | Open Interest |
|------------|-------------------|-------|---------|------------|--------|---------|-------------------|--------|---------|---------------|
| | Long | Short | Bullish | Long | Short | Bullish | Long | Short | Bullish | |
| 23- Feb-16 | 227381 | 82403 | 73% | 120854 | 284003 | 30% | 49448 | 31277 | 61% | 384,974 |
| 01- Mar-16 | 223186 | 70773 | 76% | 115571 | 287002 | 29% | 51148 | 36,819 | 61% | 450555 |
| 08- Mar-16 | 252895 | 78085 | 76% | 116493 | 311865 | 27% | 53520 | 32958 | 62% | 499110 |
| 15- Mar-16 | 247659 | 78147 | 76% | 118610 | 304141 | 28% | 49810 | 33791 | 60% | 493086 |
| 22- Mar-16 | 258646 | 79815 | 76% | 127081 | 327075 | 28% | 51562 | 30399 | 63% | 510579 |

Source: CFTC

Crude Oil

Technical

The WTI Crude Oil market rose during the day on Tuesday, breaking above the top of the hammer that had formed during the Monday session. It looks as if the market is trying to get towards the \$42 handle, which was so resistive just a few sessions ago. If the the crude market can break above there, the market will more than likely reach towards the \$44 level. If the market can find a resistive candle between here and \$42, the market should turn things back around and perhaps reaching towards the \$40 level, and then eventually the \$38 level. Volatility will continue to be a mainstay when it comes to this market. The market will continue to focus on several different issues, so at this point in time the market players believe that it is more or less a short-term trader's type of opportunity, as the crude markets are trying rebalance the expectations.

| | | | |
|------------|-------|-------|-------|
| Pivot: | 40.12 | | |
| Support | 39.50 | 38.44 | 37.60 |
| Resistance | 40.76 | 41.54 | 42.42 |

Highlights

- Oil prices fell today as investor focus returned to worries about oversupply after Kuwaiti workers ended a three-day strike
- Industry data showed U.S crude stockpiles rose last week, reinforcing concerns about the global surplus
- U.S crude was down 73 cents at \$40.35, after dipping below \$40
- Six supertankers have lined up at Kuwait's crude export terminal to load oil
- The end of the strike revived the bearish mood in investors

Crude - Technical Indicators

| | |
|---------|-------|
| RSI 14 | 65.48 |
| SMA 20 | 39.31 |
| SMA 50 | 36.18 |
| SMA 100 | 34.76 |
| SMA 200 | 39.41 |

Crude Oil Daily Graph



Source: Meta Trader

Fundamentals

- Crude oil prices slumped on Wednesday after Kuwait oil workers called off a three-day strike, a key support that kept oil prices afloat after major global producers failed to agree to a production freeze last weekend.
- West Texas Intermediate crude oil for May which expires after the market settles on Wednesday, lost 87 cents, or 2.1%, to \$40.21 a barrel. The June contract gave up 76 cents, or 1.7%, to \$41.71. June Brent crude on London's ICE Futures exchange fell 69 cents, or 1.6%, to \$43.34 a barrel.
- Brent crude futures, the global benchmark, traded at \$43.72 a barrel, 81 cents, or 1.9 percent, above Monday's close. U.S. crude futures were up 64 cents, or 1.6 percent, at \$40.42 a barrel.
- According to Kuwait News Agency, the strike organizer Oil and Petrochemical Industries Workers Confederation said the strike was "overwhelmingly successful" through which participants displayed their "ability to affect the production process which was achieved."
- The strike reduced around 60% of the country's daily production to around 1.1 million barrels a day. The end of the strike removes one of the key supports that allowed prices to recover easily after the disappointing outcome of the Doha talks.
- Earlier in the week, prices rose as the market looked past the failure of a group of major oil producers to agree on an output freeze by focusing on supply outages around the world.
- Apart from Kuwait, disruptions in Iraq, Nigeria, and the North Sea also curtailed global output by around 750,000 barrels a day, roughly half the rate at which the total world supply is estimated to be growing. With oversupply back in focus, prices are likely to fall in the near term amid slower demand growth.

US Commodity Futures Trading Commission (CFTC) Data

| Date | Large Speculators | | | Commercial | | | Small Speculators | | | Open Interest |
|------------|-------------------|---------|---------|------------|---------|---------|-------------------|--------|---------|---------------|
| | Long | Short | Bullish | Long | Short | Bullish | Long | Short | Bullish | |
| 23- Feb-16 | 458,206 | 105,441 | 81% | 560,983 | 925,531 | 38% | 82,700 | 70,917 | 54% | 1,598,935 |
| 01- Mar-16 | 462,028 | 106,739 | 81% | 557,217 | 927,085 | 38% | 85,279 | 70,700 | 55% | 1,615,844 |
| 08- Mar-16 | 454,829 | 123,816 | 79% | 571,328 | 916,651 | 38% | 87,594 | 73,282 | 54% | 1,619,796 |
| 15- Mar-16 | 463,186 | 135,835 | 77% | 560,029 | 897,400 | 38% | 87,590 | 77,633 | 53% | 1,623,027 |
| 22- Mar-16 | 473,506 | 133,457 | 78% | 558,910 | 898,363 | 38% | 79,121 | 79,717 | 50% | 1,613,293 |

Source: CFTC

Silver

Technical

The silver markets broke out to the upside during the course of the session on Wednesday, breaking above the top of the short-term resistance. The market touched the \$17 level, and formed a massively bullish candle. With this being the case, every time it pulls back you would have to believe that people will be looking to start buying again based upon value. We have no interest in shorting this market, as the silver market looks as if it's ready to continue a longer-term "buy-and-hold" type of move at this point in time. The short-term trend remains bullish above the April 13 low of \$16.02, which is the most recent swing low and is higher than the April 12 swing low of \$15.82. Potential support levels dictated by the Fibonacci retracement tool are \$16.78, \$16.64 and \$16.49. These levels are derived using the April 13 low of \$16.02 and yesterday's high of \$17.25 as reference points.

| | | | |
|------------|-------|-------|-------|
| Pivot: | 16.91 | | |
| Support | 16.78 | 16.56 | 16.30 |
| Resistance | 17.36 | 17.59 | 17.76 |

Highlights

- Silver futures rallied yesterday, posting their highest finish in almost a year
- The U.S dollar-denominated metals getting a boost from weaker greenback
- Chinese demand fears have also receded and that has been especially helpful for silver
- Last week, hedge funds boosted their bets on silver, pushing the net long speculative position to a record
- Silver and gold often viewed as safety plays climbed even as stocks world-wide and other riskier assets advanced

Silver - Technical Indicators

| | |
|---------|-------|
| RSI 14 | 63.83 |
| SMA 20 | 15.47 |
| SMA 50 | 15.38 |
| SMA 100 | 14.77 |
| SMA 200 | 14.88 |

Silver Daily Graph



Source: Meta Trader

Fundamentals

- Silver is poised to enter a bull market after prices jumped to a 10-month high and as investors pile into precious metals, with top forecasters' staying positive on gold.
- Silver advanced as much as 3.5% to the highest level since June and traded up 3% at \$16.7065 an ounce by 7:36 am in New York. A close at that level would mark the start of a bull market.
- Investors have been pouring cash into silver, known as the devil's metal because of its often wild price swings. Assets in exchange-traded funds are approaching a record and last month total holdings increased 5.3%, the biggest jump since 2010, according to data compiled by Bloomberg.
- Spot silver triggered stops once it breached the \$16.30 level, prompting heavy purchases. The dollar fell 0.2 percent against a basket of major currencies on Tuesday. Commodity currencies rose against the U.S. dollar, drawing support from oil prices which stabilised after a slide.
- Trading volume for silver in New York was almost triple the average for the time of day. The gains were amplified by big orders that triggered automated short-covering.
- Silver, which has more industrial uses than gold, has risen more than 20% this year and is the top asset in the Bloomberg Commodity Index. The gold-silver ratio, which measures the price of one divided by the other, fell to the lowest level this year.
- That recent divergence in price has sparked some buying in silver, as traders bet that the ratio between gold and silver will revert back to its average level. It's a phenomenon we noted in our Morning MoneyBeat column just last week. A high gold-to-silver ratio can also be seen among investors as a warning sign for the economy.

US Commodity Futures Trading Commission (CFTC) Data

| Date | Large Speculators | | | Commercial | | | Small Speculators | | | Open Interest |
|------------|-------------------|--------|---------|------------|--------|---------|-------------------|--------|---------|---------------|
| | Long | Short | Bullish | Long | Short | Bullish | Long | Short | Bullish | |
| 23- Feb-16 | 42,097 | 29,999 | 58% | 56,157 | 75,843 | 43% | 23,121 | 15,533 | 60% | 132,501 |
| 01- Mar-16 | 42,083 | 27,402 | 61% | 54,280 | 79,052 | 41% | 24,963 | 14,872 | 63% | 132,475 |
| 08- Mar-16 | 41,285 | 23,950 | 63% | 53,875 | 79,404 | 40% | 23,378 | 15,184 | 61% | 131,294 |
| 15- Mar-16 | 41,287 | 24,798 | 62% | 58,869 | 83,678 | 41% | 21,523 | 13,203 | 62% | 136,158 |
| 22- Mar-16 | 41,334 | 26,466 | 62% | 60,600 | 84,551 | 42% | 21,666 | 13,583 | 61% | 139,468 |

Source: CFTC

Commodity News

Wednesday, April 20, 2016



Data Calendar

Economic Data

| Date | Time | Event | Importance | Actual | Forecast | Previous |
|------------|-------|--|------------|---------|----------|----------|
| Wed Apr 20 | 04:50 | JPY Adjusted Merchandise Trade Balance (Yen) (MAR) | low | ¥276.5b | ¥450.0b | ¥166.1b |
| Wed Apr 20 | 11:00 | EUR German Producer Prices (YoY) (MAR) | low | -3.1% | -2.9% | -3.0% |
| Wed Apr 20 | 13:30 | GBP Claimant Count Rate (MAR) | medium | 2.1% | 2.1% | 2.1% |
| Wed Apr 20 | 13:30 | GBP Jobless Claims Change (MAR) | medium | 6.7k | -10.0k | -9.3k |
| Wed Apr 20 | 13:30 | GBP ILO Unemployment Rate (3M) (FEB) | medium | 5.1% | 5.1% | 5.1% |
| Wed Apr 20 | 13:30 | GBP Employment Change (3M/3M) (FEB) | medium | 20k | 60k | 116k |
| Wed Apr 20 | 14:00 | CHF ZEW Survey (Expectations) (APR) | medium | 11.5 | | 2.5 |
| Wed Apr 20 | 19:00 | USD Existing Home Sales (MoM) (MAR) | medium | | 3.5% | -7.1% |
| Wed Apr 20 | 19:30 | USD DOE U.S. Crude Oil Inventories (APR 15) | medium | | | 6634k |

Source: Forex Factory, DailyFX

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