Commodity News

Friday, August 05, 2016

Gold

Technical

Gold prices edge higher in yesterday's trading session in the wake of the Bank of England change in monetary policy. Investors are searching for a currency like gold that cannot be devaluated by interest rates changes by a central bank. Resistance on the yellow metal is seen near the July highs at 1,375, while support is seen near the 10-day moving average at 1,341. Momentum has turned positive as the MACD (moving average convergence divergence) index recently generated a buy signal. The BoE cut repo rate to a new record low of 0.25% and expanded QE by GBP 70 to a new running total of GBP 445 billion. This is the first shift in the policy rate since March 2009, and this is first rise in QE since 2012. The central bank accompanied the easing with downgraded growth forecasts, and indicated that more easing is in the pipeline.

Pivot:	1,363		
Support	1,359	1,354	1,346
Resistance	1,371	1,375	1,379

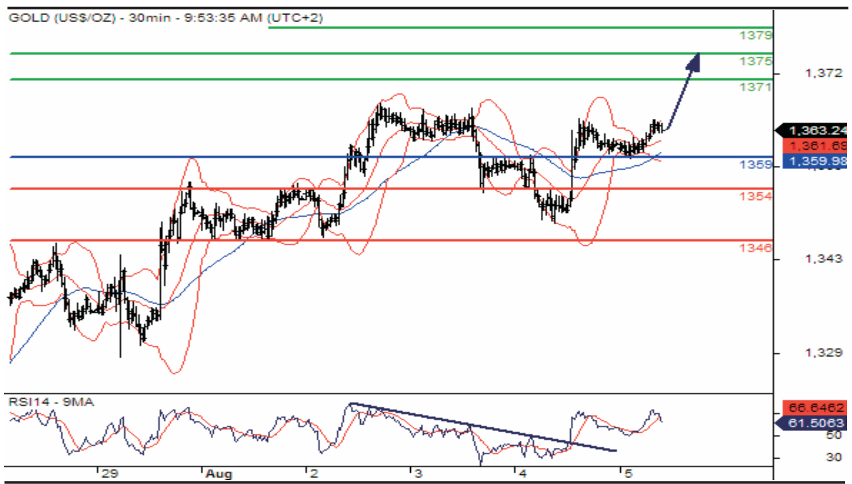
Highlights

- Gold futures finished moderately higher yesterday after the Bank of England announced a rate cut for the first time since 2009
- December gold rose $2.70, or 0.2%, to settle at $1,367.40 an ounce
- The BOE cut its key lending rate by a quarter of a percentage point to 0.25%
- The yellow metal rose even as the dollar climbed which tends to be negative for gold
- Holdings of SPDR Gold Trust, the world's largest gold-backed exchange-traded fund, rose 0.37 percent to 973.21 tonnes

Gold - Technical Indicators

RSI 14	61.02
SMA 20	1,337.02
SMA 50	1,320.74
SMA 100	1,285.32
SMA 200	1,220.66

Gold Daily Graph



Source: Meta Trader

Fundamentals

- Gold edged higher today on a lower dollar as investors waited for cues on the Federal Reserve's next policy move from a pivotal monthly U.S. labour report due later in the day.
- Spot gold was up 0.1 percent at $1,361.75 an ounce today in Asian session. It has risen about 1 percent so far this week, boosted by a weaker dollar after the Fed gave no hints of any near-term interest rate rise at its monthly policy meeting last week.
- Gold is highly sensitive to rising U.S. interest rates, as the opportunity cost of holding the non-yielding asset increases while boosting the dollar, in which it is priced.
- The Fed will be possibly waiting for a couple of nonfarm payrolls releases before deciding on rates. There is no reason for gold to fall below the $1,300 level in the short term, especially if European economy deteriorates, but prices could come off in the third quarter in anticipation of a Fed rate cut in December.
- Economists polled by Reuters are looking for U.S. nonfarm employment to have risen by 180,000 in July. The numbers are due today. Data this week showed that U.S. private employers added 179,000 jobs in July, above economists' expectations, while the number of Americans filing for unemployment benefits unexpectedly rose last week.
- The dollar was down 0.1 percent against a basket of six major currencies. European shares rose following global stock markets after the Bank of England cut interest rates to next to nothing and unleashed billions of pounds of stimulus to cushion the economic shock from Britain's vote to leave the European Union.
- Physical gold sales remained sluggish in Asia this week as higher prices kept buyers at bay, but appetite is expected to pick up with festive seasons approaching in top markets India and China.

US Commodity Futures Trading Commission (CFTC) Data

	Large Speculators			Commercial			Small Speculators			Open
Date	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	Interest
5/10/2016	337251	72353	82%	120854	284003	30%	49448	31277	61%	384,974
5/17/2016	340748	74460	82%	115571	287002	29%	51148	36,819	61%	450555
5/24/2016	291266	84634	77%	116493	311865	27%	53520	32958	62%	499110
5/31/2016	274589	77454	77%	118610	304141	28%	49810	33791	60%	493086
6/07/2016	295688	67069	82%	127081	327075	28%	51562	30399	63%	510579

Source: CFTC

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Crude Oil

Technical

WTI crude rallied to 42.08 highs in yesterday's trading session, before easing back to $41.78at the close of U.S session. Brent prices were up in tandem with NY crude. Wednesday's sharp rally came on the back of the large draw in gasoline inventories, though with prices coming off of three-plus month lows, profit taking overnight appeared to have been a driver. U.S. crude supplies remain near historic highs for this time of the year, and the global supply glut is not expected to ease anytime soon. Prices of West Texas Intermediate crude oil closed above former resistance now short term support near the 10-day moving average at 41.70. Resistance is now seen near the 44.80 levels which coincide with the early July lows. Momentum is poised to turn positive as the MACD (moving average convergence divergence) index is poised to generate a buy signal.

Pivot:	41.73		
Support	41.00	40.40	39.18
Resistance	42.50	43.21	43.80

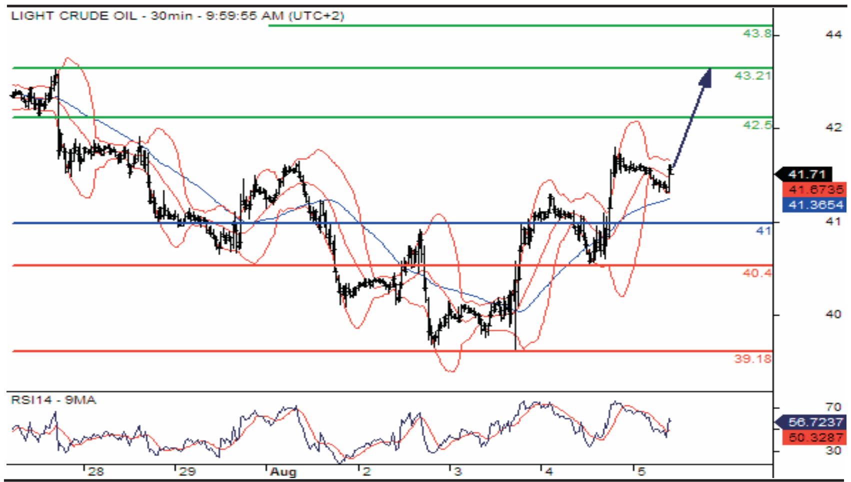
Highlights

- Oil futures fell today in Asian session, with prices still volatile as the market remains caught in large stockpiles
- West Texas Intermediate futures were trading down 0.93% at $41.54 a barrel
- The decline comes on the heels of a volatile week for the oil market
- Prices entered a bear market marked by a decline of 20% from a recent peak earlier this week
- investors are monitoring U.S rig count data, due later today, which has been steadily increasing since oil briefly broke above $50 in June

Crude - Technical Indicators

RSI 14	34.12
SMA 20	43.34
SMA 50	46.25
SMA 100	45.95
SMA 200	40.22

Crude Oil Daily Graph



Source: Meta Trader

Fundamentals

- Oil prices dipped today, ending a two-day rally, as a glut of crude and refined products weighed on markets and investors eyed a possible stutter in China's imports.
- U.S. West Texas Intermediate (WTI) crude futures fetched $41.74 per barrel, down 19 cents from their last close, after trading as low as $41.44 earlier in the day. Crude oil futures are on track roughly to break even on the week.
- Downward pressure returned as overproduction in crude and refined products has left onshore storage tanks brimming and triggered the chartering of tankers to store unsold fuel. There are also growing worries that China's imports are weakening from records set in 2015 and this year.
- Signs of fatigue are already apparent and include a notable dip in Chinese crude oil imports. A major pillar of oil demand is therefore on course to ease considerably over the coming months.
- Still, China surpassed South Korea as the top Asian buyer of North Sea Forties crude this year, while trading house Trafigura was aggressively targeting China's newest buyers by extending credit to two of the country's independent refiners.
- Oil prices were still more than $2 per barrel above the week's lows, which most analysts attributed to short-covering. Investors added the equivalent of 56 million barrels of short positions in the three main Brent and WTI futures and options contracts in the week to July 26.
- Since there was no news yesterday that might have triggered the price rise, this points to short-covering. Clearly many market participants were caught on the hop by the increase in prices following the publication of U.S. inventory data on Wednesday. Investors will also be looking at employment data from the U.S. Labor Department later today. An uptick in employment numbers would be a positive sign on economic prospects in the U.S.

US Commodity Futures Trading Commission (CFTC) Data

	Large Speculators			Commercial			Small Speculators			Open
Date	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	Interest
5/10/2016	458,206	105,441	81%	560,983	925,531	38%	82,700	70,917	54%	1,598,935
5/17/2016	462,028	106,739	81%	557,217	927,085	38%	85,279	70,700	55%	1,615,844
5/24/2016	454,829	123,816	79%	571,328	916,651	38%	87,594	73,282	54%	1,619,796
5/31/2016	463,186	135,835	77%	560,029	897,400	38%	87,590	77,633	53%	1,623,027
6/07/2016	473,506	133,457	78%	558,910	898,363	38%	79,121	79,717	50%	1,613,293

Source: CFTC

Commodity News

Friday, August 05, 2016

Silver

Technical

The silver markets initially fell during the course of the session on Thursday, but turned back around at the $20 level to form a nice-looking hammer. The hammer of course looks very likely to bring in more buyers, as we could very well breach the $21 level above, which is of course a very bullish sign. That could get the "buy-and-hold" traders involved, meaning that people will hang onto the upside as well. I believe the pullbacks continue to offer value, and as a result it's very likely that we will continue to see buyers take control. I have no interest in selling. From here we have support in the low 19.90s – a bounce could develop from there, but at this time it is not expected to hold. The thinking on this end is that silver will sink, at the least, back to the bottom of the developing range around 19.20.For now, we will continue to focus on the short-term developments.

Pivot:	20.21		
Support	20.10	20.00	19.90
Resistance	20.45	20.55	20.68

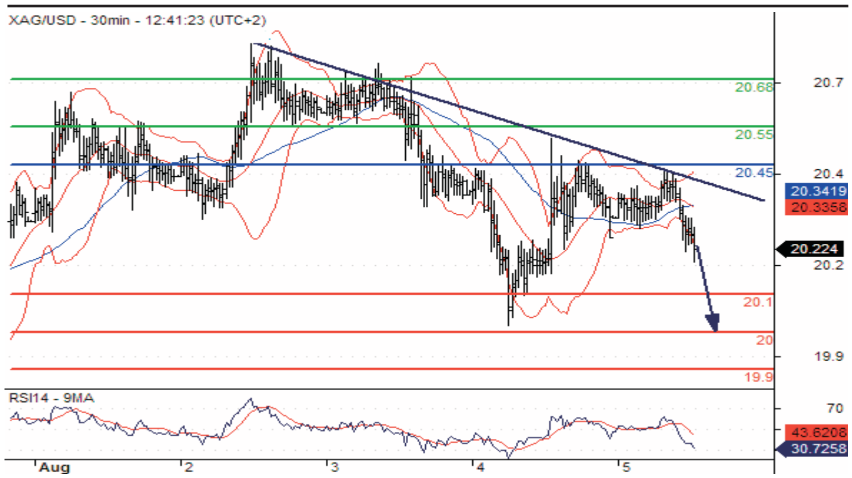
Highlights

- Spot silver edged up 0.1 percent to $20.30 an ounce today in Asian session
- The Fed will be possibly waiting for a couple of nonfarm payrolls releases
- The ADP figures come ahead of the US Labor Department's more comprehensive non-farm payrolls report on Friday
- Data this week showed that U.S. private employers added 179,000 jobs in July
- The U.S Dollar index was down 0.1 percent against a basket of six major currencies earlier today

Silver - Technical Indicators

RSI 14	61.11
SMA 20	20.08
SMA 50	19.01
SMA 100	17.87
SMA 200	16.27

Silver Daily Graph



Source: Meta Trader

Fundamentals

- Silver prices declined yesterday after the Bank of England cut interest rates for the first time since 2009 and introduce new measures to stimulate the economy in the wake of the Brexit vote.
- Silver for September delivery slipped 7 cents or 0.4% to $20.39 a troy ounce. The metal reached a daily low of $20.08 before paring losses. Silver prices have declined in each of the past two days, as the market retreated from fresh two-year highs.
- Yesterday the Bank of England announced new measures to stimulate the economy, including cutting interest rates to 0.25% from 0.5% and buying £60 billion of UK government bonds and £10 billion of corporate bonds.
- The decision to slash interest rates was approved unanimously by the BOE's Monetary Policy Committee. The decision to increase the Bank's quantitative easing program was passed by a vote of 6-3.
- The central bank also sharply lowered its growth forecast, adding to fears that the Brexit vote would weigh on the UK economy over the next two years. The British pound declined sharply against the dollar. There were sharp gain in global bond prices following the Bank of England decision with US and German yields falling sharply while UK yields fell to record lows.
- Investors will turn their attention back to the economic data on Friday as the Labor Department prepares to release July nonfarm payrolls. The US economy is forecast to have added 180,000 jobs last month. The unemployment rate is forecast to dip to 4.8% from 4.9%.
- US jobless claims were higher than expected at 269,000 in the latest week from 266,000 previously. The dollar overall tended to drift lower which prevented more sustained selling pressure on silver as it consolidated just below $20.50. Markets will be braced for further very high volatility.

US Commodity Futures Trading Commission (CFTC) Data

	Large Speculators			Commercial			Small Speculators			Open
Date	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	Interest
5/10/2016	42,097	29,999	58%	56,157	75,843	43%	23,121	15,533	60%	132,501
5/17/2016	42,083	27,402	61%	54,280	79,052	41%	24,963	14,872	63%	132,475
5/24/2016	41,285	23,950	63%	53,875	79,404	40%	23,378	15,184	61%	131,294
5/31/2016	41,287	24,798	62%	58,869	83,678	41%	21,523	13,203	62%	136,158
6/07/2016	41,334	26,466	62%	60,600	84,551	42%	21,666	13,583	61%	139,468

Source: CFTC

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Data Calendar

Economic Data

Date	Time	Event	Importance	Actual	Forecast	Previous
Fri Aug 05	10:00	JPY Leading Index (JUN)	Medium	98.4	99.7	99.7
Fri Aug 05	10:00	JPY Coincident Index (JUN)	Medium	110.5	111.3	109.9
Fri Aug 05	17:30	USD Unemployment Rate (JUL)	High	4.9%	4.8%	4.9%
Fri Aug 05	17:30	USD Change in Non-farm Payrolls (JUL)	High	255k	180k	287k
Fri Aug 05	17:30	USD Change in Private Payrolls (JUL)	Medium	217k	173k	265k
Fri Aug 05	17:30	USD Average Hourly Earnings (YoY) (JUL)	Medium	2.6%	2.6%	2.6%
Fri Aug 05	17:30	USD Trade Balance (JUN)	Medium	-44.5b	-$43.0b	-$41.1b
Fri Aug 05	17:30	CAD Unemployment Rate (JUL)	High		6.9%	6.8%
Fri Aug 05	17:30	CAD Net Change in Employment (JUL)	High	-31.2K	10.0k	-0.7k

Source: Forex Factory, DailyFX

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