Commodity News

Thursday, February 15, 2018

Gold

Technical

Gold markets had a very volatile over the last several days, with Wednesday being especially volatile. We broke down below the $1325 level to find plenty of buyers, and then explode towards the $1350 level. If we can break that level, then the market will go and challenge the $1400 level above, which for me is a barrier for a longer-term buy-and-hold type of move. Ultimately, I believe that the market participants will continue to favor the upside, and I believe that the $1325 level will offer a bit of a floor. If we were to break down below there, that would be very negative for the gold markets, but I believe that the US dollar weakness will continue. Ultimately, I think that once we break above the $1400 level, it will bring in a flood of volume, and send this market much higher. At that point, I would fully anticipate the gold could go as high as $1800 this year, perhaps even $2000.

Pivot:	1,354		
Support	1,345	1,336	1,330
Resistance	1,360	1,366	1,378

Source: FX EMPIRE

Highlights

- Gold prices edged up today in Asian session as the dollar weakened
- Investors banked on the bullion as a hedge against inflation after data showed a rise in U.S consumer prices
- A recovery in broader risk sentiment was also seen weighing on the dollar
- U.S gold futures were down 0.1 percent at $1,356.8 per ounce today
- The U.S Labor Department said its Consumer Price Index increased 0.5 percent in January as households paid more

Gold - Technical Indicators

RSI 14	45.56
SMA 20	1,268.2
SMA 50	1,251.1
SMA 100	1,268.3
SMA 200	1,278.8

Source: FX EMPIRE

Gold Daily Graph

Source: Meta Trader

Fundamentals

- Gold was on track for its fourth straight session of gains today as the dollar skidded to its lowest in two weeks on concerns about the impact of high levels of U.S debt and tax cuts.
- Spot gold was up 0.2 percent at $1,353.73 an ounce after earlier hitting its highest since Jan. 25 at $1,357.08. It had risen 1.6 percent on Wednesday, its highest one-day gain since May 2017.
- U.S gold futures were down 0.1 percent at $1,356.8 per ounce. We are back to what was driving gold prior to that little spike in volatility last week which is the direction of the dollar and the longer term direction of U.S debt and how it's going to be serviced.
- The dollar index against a basket of currencies was down 0.5 percent at 88.686, after earlier hitting a near two-week low of 88.585. A recovery in broader risk sentiment was also seen weighing on the dollar, which had gained during the market turmoil earlier this month.
- The U.S currency has been hit by a variety of setbacks this year, including from prospects Washington might pursue a weak dollar strategy to the perceived erosion of its yield advantage as other countries part with easier monetary policy. Concerns about the growing U.S fiscal deficit have also weighed on the currency.
- Inflation fears boost gold, which is seen as a safe haven against rising prices. But expectations that the Fed will raise interest rates to fight inflation make gold less attractive since it is not interest-yielding.
- BMI Research was neutral on gold prices because of mixed signals from wider financial markets, it said in its gold outlook. Key resistance for prices comes in around the 2016 high of $1,375 per ounce and we would have to see this level decisively broken before calling for significant near-term gains.

US Commodity Futures Trading Commission (CFTC) Data

	Large Speculators			Commercial			Small Speculators			Open
Date	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	Interest
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 has been very noisy over the last couple of days, showing signs of stability. The recent selloff has been rather rapid, but I think that the market will eventually go looking for sellers above again. I think that the $60 level will of course attract a lot of attention, but I think it goes beyond there and towards the $62 handle as it is where the previous uptrend line is situated at. Longer-term, I anticipate that the market will probably reach down to the $55 level and beyond. Although we are heading towards the so-called "driving season" in the United States, the reality is that the Americans are pumping out so much crude oil now that oversupply has become a massive problem. Brent markets rallied a bit during the day as well, but again I think that it is more of a dead cat bounce than anything else. The $62 level looks to be supportive.

Pivot:	61.31		
Support	60.60	59.85	59.30
Resistance	62.05	62.60	63.20

Source: FX EMPIRE

Highlights

- Oil rallied again on the heels of the biggest one-day gain in more than two months
- West Texas Intermediate futures rose 76 cents, or 1.3%, to $61.36 a barrel
- Yesterday, the contract finished up $1.41, or 2.4%, to end at $60.60 a barrel, to notch its biggest one-day rise since Dec. 26
- Energy Information Administration said U.S. inventories rose just 1.8 million barrels in the week ended Feb. 9
- Traders have become increasingly concerned about the amount of U.S shale

Crude - Technical Indicators

RSI 14	70.56
SMA 20	48.54
SMA 50	46.40
SMA 100	47.24
SMA 200	52.06

Source: FX EMPIRE

Crude Oil Daily Graph

Source: Meta Trader

Fundamentals

- Oil rose towards $62 barrel today, supported by Saudi Arabia's comment that it would rather see an undersupplied market than end an OPEC-led deal to withhold production too soon, and by a weak U.S dollar.
- Saudi Energy Minister Khalid al-Falih said on Wednesday the Organization of the Petroleum Exporting Countries would do better to leave the market tight than end the deal on cutting output too early. Saudi Arabia is OPEC's top producer.
- Brent crude the global benchmark, rose 32 cents to$64.68, extending the previous session's gain of $1.64. U.S. crude was up 58 cents at $61.18. Khalid al-Falih gave his strongest hint yet that exiting the current supply agreement is unlikely to be on the agenda this year.
- Oil also gained as the U.S. dollar weakened, falling to a 15-month low against the yen. A weaker dollar makes oil and other dollar-denominated commodities cheaper for holders of other currencies, potentially boosting demand.
- "It seems that al-Falih felt this comment was necessary to stabilize oil prices," said Commerzbank analyst Carsten Fritsch of the Saudi minister's preference for a tighter market than an early boost in production.
- Prices are being additionally boosted by the fact that the U.S. dollar has been significantly weaker since yesterday. The OPEC-led deal to cut output by 1.8 million barrels per day, almost 2 percent of global supply, started a year ago. Producers have succeeded in whittling down an excess of crude in storage that had been weighing on prices.
- However, rising output in the United States is balancing the supply cuts by other producers. U.S. crude production hit a record 10.27 million barrels per day, the Energy Information Administration said, more than Saudi Arabia pumps with Riyadh's voluntary curb on its output and not far from Russia.

US Commodity Futures Trading Commission (CFTC) Data

	Large Speculators			Commercial			Small Speculators			Open
Date	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	Interest
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

Commodity News

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Silver

Technical

Silver markets were very noisy on Wednesday, initially going sideways, then fell as the CPI numbers in the United States showed that the Federal Reserve is very likely to raise interest rates considering that they are seen inflation. However, precious metals rallied as the greenback fell, and it looks likely that we are going to go reaching towards the $17 level above in the silver market, and then eventually the $17.50 level. The Silver markets tend to move opposite of the dollar, and if the US dollar continues to fall, that should bring plenty of money into the precious metals sector in general. Silver also tends to follow gold, but is a lot thinner volume wise than gold, so I think that the gold markets must be followed as well. Underneath, the $16 level is the "floor" in the market, and I think that eventually we will go much higher. Economists longer-term target is $20.

Pivot:	16.93		
Support	16.68	16.55	16.45
Resistance	16.98	17.10	17.25

Source: FX EMPIRE

Highlights

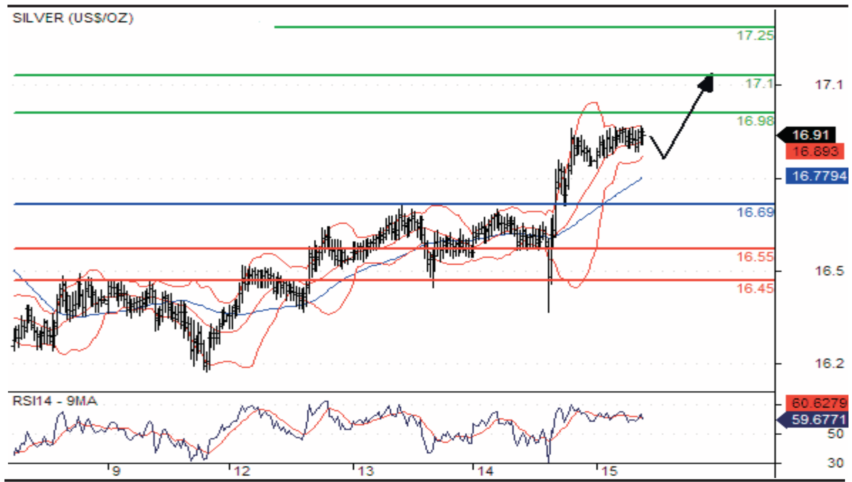
- Hotter-than-expected headline inflation reading prompted investors to turn to the precious metal as a hedge against rising prices
- Precious metals, which are often pegged to Dollars which tend to rise when the buck weakens
- A falling dollar can make buying those assets cheaper for investors using strengthening monetary units
- The yield on 10-year Treasury notes shot up to 2.91%, trading at a four-year high
- The consumer-price index leapt 0.5% in January, the biggest increase in five months

Silver - Technical Indicators

RSI 14	19.80
SMA 20	17.27
SMA 50	16.72
SMA 100	16.85
SMA 200	16.87

Source: FX EMPIRE

Silver Daily Graph



Source: Meta Trader

Fundamentals

- Silver prices edged up today as the dollar weakened and investors banked on the bullion as a hedge against inflation after data showed a rise in U.S. consumer prices.
- Higher U.S inflation combined with the U.S dollar exhibiting zero correlation to higher interest rates amidst burdening duel deficits (trade and budget) should play out favourably for gold markets.
- A recovery in broader risk sentiment was also seen weighing on the U.S Dollar in yesterday's session, which had gained during the market turmoil earlier this month.
- The U.S. currency has been hit by a variety of setbacks this year, including from prospects Washington might pursue a weak dollar strategy to the perceived erosion of its yield advantage as other countries part with easier monetary policy. Concerns about the growing U.S. fiscal deficit have also weighed on the greenback.
- The U.S Labor Department said its Consumer Price Index increased 0.5 percent in January as households paid more for gasoline, rental accommodation and healthcare, raising pressure on new Federal Reserve chief Jerome Powell to prevent a possible overheating of the economy.
- Inflation fears boost precious metals, which is seen as a safe haven against rising prices. But expectations that the Fed will raise interest rates to fight inflation make gold less attractive since it is not interest-yielding.
- Silver was up 0.3 percent at $16.92 an ounce after earlier hitting a more than one-week high of $16.94. Palladium was 1.2 percent higher at $1,011.47, after earlier hitting a one-week top of $1,013.30. Platinum was up 0.3 percent at $999.49, after earlier hitting $1,003.90, its highest in nearly two weeks.

US Commodity Futures Trading Commission (CFTC) Data

	Large Speculators			Commercial			Small Speculators			Open
Date	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	Interest
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

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Data Calendar

Economic Data

Date	Time	Event	Importance	Actual	Forecast	Previous
Thu Feb 15	05:30	AUD Employment Change (JAN)	High		15.0k	33.5k
Thu Feb 15	18:30	USD Empire Manufacturing (FEB)	Low		18	17.7
Thu Feb 15	18:30	USD Initial Jobless Claims (10 FEB)	Medium		227k	221k
Thu Feb 15	18:30	USD PPI Final Demand (YoY) (JAN)	Low		2.5%	2.6%
Thu Feb 15	18:30	USD Philadelphia Fed Business Outlook (FEB)	Medium		21.6	22.2
Thu Feb 15	19:00	CAD Existing Home Sales (MoM) (JAN)	Medium			4.5%
Thu Feb 15	19:15	USD Industrial Production (MoM) (JAN)	Medium		0.2%	0.9%
Thu Feb 15	19:15	USD Manufacturing (SIC) Production (JAN)	Medium		0.3%	0.1%
Thu Feb 15	20:00	USD NAHB Housing Market Index (FEB)	Medium		72	72

Source: Forex Factory, DailyFX

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