

# Commodity Outlook

Monday, February 29, 2016



## Gold

### Technical

Gold markets went back and forth during the course of the last week. The precious metal showed a fairly choppy week. Ultimately though, the economists do believe that this market will go higher and if the gold pullback is very likely it will just be a buying opportunity as gold has most certainly broken out to the upside. Pullbacks that show signs of support will be used in order to go long, and of course a break above the \$1260 level will have the market players buying this gold market as it should reach towards the \$1300 level.

Pivot:	1,228		
Support	1,211	1,202	1,197
Resistance	1,232	1,243	1,254

### Recommendation

Sell positions below 1232.00 with targets at 1211.00 and 1202.00 in extension

### Highlights

- Gold is headed for the biggest monthly advance in four years as a darkening global outlook spurs demand for haven assets
- Bullion for immediate delivery added as much as 0.8 percent to \$1,233.22 an ounce
- Gold is up 10 percent in February, set for the biggest gain since January 2012
- Gold's 16 percent rally this year has made it 2016's best-performing major asset
- Turmoil across global equity and currency markets spurred speculation that the Federal Reserve will stand pat on rates

### Gold - Technical Indicators

RSI 14	65.19
SMA 20	1,206.88
SMA 50	1,140.46
SMA 100	1,113.56
SMA 200	1,126.97

### Gold Daily Graph



Source: Meta Trader, IGI Research

### Fundamentals

- The precious metal is the year's best-performing major asset. Its 16 percent gain is topping gauges of high-yield and investment grade bonds, Treasuries, all currencies and major stock indexes in developing and emerging countries. Turmoil across global equity and currency markets has sparked demand for a haven.
- Speculators raised their net-long position in gold to the highest in a year. SPDR Gold Shares, the world's largest bullion exchange-traded fund, attracted \$4.5 billion of new money in 2016, the most among all U.S.-listed ETFs, according to Bloomberg data as of Feb. 25.
- It's a turnaround from just a few months ago, when investors were selling the metal, sending prices in December to a five-year low. Gold has been the biggest story of this year.
- The net-long position in gold futures and options jumped 32 percent to 123,566 contracts in the week ended Feb. 23, according to U.S. Commodity Futures Trading Commission data released three days later. Long wagers climbed for an eighth straight week, the longest streak since 2012.
- Deteriorating global economies have increased concerns that the slowdown will be a drag on U.S. growth, raising gold's appeal as a safety asset. At the same time, there is increasing doubt that the Federal Reserve will move as quickly as it planned to raise interest rates because the expansion may weaken. That increases the allure of bullion as a store of value.
- Global holdings in gold ETFs surged 15 percent in 2016 to 1,682.6 metric tons. That's the highest in more than a year, and the assets are on pace for the biggest quarterly increase since 2010. Gold closed at \$1,223 an ounce with \$9 downward variation in value as compared to previous trading session and domestic bullion price witnessed same trend.

### 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- June-15	135,390	108,051	56%	188,511	215,209	47%	36,847	37,668	49%	384,974
30- June-15	137,182	104,959	57%	182,101	215,122	46%	37,617	36,819	51%	379,550
07- July-15	139,124	100,357	58%	179,334	221,218	45%	38,246	35,249	52%	383,201
14- July-15	145,857	101,844	59%	199,650	244,905	45%	37,217	35,975	51%	415,426
21- July-15	146,018	99,435	59%	200,101	246,192	45%	36,635	37,127	50%	410,959

Source: CFTC, IGI Research

# Commodity Outlook

Monday, February 29, 2016



## Crude Oil

### Technical

Crude market went back and forth last week. Market is ready to continue banging around between the \$30 level on the bottom, and the \$35 level on the top. Ultimately, we believe that selling will take over again, and as a result it's probably best to trade this market from the shorter-term charts as there isn't a lot of room at the moment to be involved in longer-term trades. One thing that should be noted though, the Friday candle was a shooting star and that of course is a very negative sign. With this, we simply believe that the market will continue to find bearish pressure.

Pivot:	45.82		
Support	44.93	44.30	43.75
Resistance	46.77	47.30	48.00

### Recommendation

Sell positions below 33.80 with targets at 32.00 and 31.05 in extension

### Highlights

- Oil prices fell in choppy trade on Friday, erasing gains towards the end of the American session
- Investors booked profits from an earlier rally which took prices to a two-month high
- Venezuela oil Minister said that four oil-producing countries, including Saudi Arabia, Russia and Qatar, will meet in mid-March
- Top oil producers Russia and Saudi Arabia agreed to freeze oil production at January levels earlier this month
- Baker Hughes said that the number of rigs drilling for oil decreased by 13 last week

### Crude - Technical Indicators

RSI 14	54.60
SMA 20	30.83
SMA 50	31.74
SMA 100	36.19
SMA 200	42.25

### Crude Oil Daily Graph



Source: Meta Trader, IGI Research

### Fundamentals

- Crude futures edged up on Monday after already making up ground last week as indications mounted of the market bottoming out, but analysts warned that downward risk remained and that it would take some time to work down a huge global glut.
- U.S. crude futures CLC1 were weaker, weighed down by record American crude inventories, dipping 7 cents to \$32.70 a barrel, after gaining around 27 percent since Feb. 11.
- There is still a lot of downside risk. But the U.S crude market seems to have passed the worst point and crude runs should start creeping higher, taking pressure off inventory levels. The latest data on U.S. production is also supportive as it indicates that the low prices are finally having an impact.
- U.S. producers cut the number of rigs drilling for oil for a 10th straight week to the lowest since December 2009, data showed on Friday, which analysts expect will lead to an output fall of 600,000 barrels per day (bpd) this year.
- The total oil rig count is now falling below that required to sustain oil production and as a result production levels are beginning to fall. Morgan Stanley said a potential Russian-Saudi agreement to freeze output at January levels could also drive prices.
- Russia said production freeze agreement discussions should end on March 1. The bank added, though, that this would do little to rein in a global production overhang, which is estimated at between 1 million to 2 million bpd and is accompanied with a "deceleration in demand growth".
- Trading data, however, suggested shifting sentiment. The amount of open positions in U.S. crude contracts that bet on a further fall in prices has fallen over 17 percent since mid-February to their lowest level in 2016. At the same time, financial traders have sharply raised their bullish bets on oil.

### 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- June-15	458,206	105,441	81%	560,983	925,531	38%	82,700	70,917	54%	1,598,935
30- June-15	462,028	106,739	81%	557,217	927,085	38%	85,279	70,700	55%	1,615,844
07- July-15	454,829	123,816	79%	571,328	916,651	38%	87,594	73,282	54%	1,619,796
14- July-15	463,186	135,835	77%	560,029	897,400	38%	87,590	77,633	53%	1,623,027
21- July-15	473,506	133,457	78%	558,910	898,363	38%	79,121	79,717	50%	1,613,293

Source: CFTC, IGI Research

# Commodity Outlook

Monday, February 29, 2016



## Silver

### Technical

The silver markets initially tried to rally during the course the week, but turned back around and fell below the \$15 level in order to show fairly significant bearishness. Ultimately though, there is quite a bit of support below, so the market players are waiting to see whether or not the silver market get a supportive candle in order to start buying again. What economists thought silver it broken out, things suddenly look a bit different. With that being the case, it's probably best to sit on the sidelines and wait for a better long-term signal.

Pivot:	14.67		
Support	14.55	14.38	14.25
Resistance	15.00	15.32	15.58

### Recommendation

Sell positions below 15.00 with targets at 14.55 and 14.38 in extension

### Highlights

- Silver is well supported below \$15.00 levels and currently trading around \$14.65 marks It made intraday high at \$14.75
- A daily close above \$15.10 is required to turn the bias bullish again
- A rebound from key support level \$14.48 levels will take the parity back above \$15.00 marks
- A stronger U.S Dollar drove traders away from the precious silver, as the US Dollar Index rose Friday
- Silver and the dollar typically move in opposite directions

### Silver - Technical Indicators

RSI 14	47.69
SMA 20	15.16
SMA 50	14.50
SMA 100	14.48
SMA 200	14.88

### Silver Daily Graph



Source: Meta Trader, IGI Research

### Fundamentals

- Silver prices are being driven higher by global economic weakness and the growing number of central banks implementing negative interest rates. While silver prices normally have a negative relationship to a strong U.S Dollar and low interest rates, that's not the case this time around.
- After years of unsustainable double-digit growth, the stock market is giving up some well-deserved ground. Not because of profit-taking, but because fundamentals are catching up with share prices.
- Silver might be zero-yielding assets, but they're both looking a lot more attractive when you consider stocks are tanking, fourth-quarter results were pretty weak, and the global economy is in the tank. It doesn't hurt that the Federal Reserve has taken a cautious tone regarding future interest rate hikes.
- Silver was put under further pressure as the US Department of Commerce on Friday released the gross domestic product report for the fourth quarter last year, which showed the headline GDP measure increasing by the better than expected 1 percent.
- Copper soared 1.78% this week to close at 2.11 on support from the Chinese as well as better than expected US GDP. copper edged up on Friday, and was set to close February slightly higher as a gradual ramp up in activity following Lunar New Year was offset by concerns about weakness in the global economy.
- The copper price forecast may be set to soar soon, as Citigroup projects that a mining disruption will kick the oversupplied copper back into a shortage. And until the global economy registers sustainable growth, gold and silver will continue to be one of the most attractive investments out there.
- Silver made intraday high at \$14.75 and low at \$14.60 levels. A rebound from key support level \$14.48 levels will take the parity back above \$15.00 marks. Last Friday US released GDP data with positive numbers

### 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- June-15	42,097	29,999	58%	56,157	75,843	43%	23,121	15,533	60%	132,501
30- June-15	42,083	27,402	61%	54,280	79,052	41%	24,963	14,872	63%	132,475
07- July-15	41,285	23,950	63%	53,875	79,404	40%	23,378	15,184	61%	131,294
14- July-15	41,287	24,798	62%	58,869	83,678	41%	21,523	13,203	62%	136,158
21- July-15	41,334	26,466	62%	60,600	84,551	42%	21,666	13,583	61%	139,468

Source: CFTC, IGI Research

# Commodity Outlook

Monday, February 29, 2016



## Data Calendar

### Economic Data

Date	Time	Event	Importance	Actual	Forecast	Previous
Mon Feb 29	04:50	JPY Industrial Production (YoY) (JAN)	medium	-3.8%	-3.8%	-1.9%
Mon Feb 29	04:50	JPY Retail Trade (YoY) (JAN)	medium	-0.1%	0.1%	-1.1%
Mon Feb 29	10:00	JPY Housing Starts (YoY) (JAN)	medium	0.2%	-0.3%	1.3%
Mon Feb 29	12:00	EUR German Retail Sales (YoY) (JAN)	medium	-0.8%	1.8%	2.5%
Mon Feb 29	13:00	CHF KOF Leading Indicator (FEB)	medium	102.4	99.3	100.4
Mon Feb 29	14:30	GBP Net Consumer Credit (JAN)	medium	1.6b	1.4b	1.1b
Mon Feb 29	14:30	GBP Net Lending Sec. on Dwellings (JAN)	medium	3.7b	3.7b	3.2b
Mon Feb 29	15:00	EUR Euro-Zone Consumer Price Index - Core (YoY) (FEB)	high	0.7%	0.9%	1.0%
Mon Feb 29	20:00	USD Pending Home Sales (YoY) (JAN)	medium		4.1%	3.1%

Source: Forex Factory, IGI Research

**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

#### Karachi Office

Tel: (+92-21) 35301392      Cell: 0321-4499228      igi.commodity@igi.com.pk

#### Lahore Office

Zaeem Haider Khan      Tel: (+92-42) 35777863-70      Cell: 0321-4772883      zaeem.haider@igi.com.pk  
 Syed Zeeshan Kazmi      Tel: (+92-42) 35777863-70      Cell: 0321-4499228      zeeshan.kazmi@igi.com.pk  
 Ehsan Ull Haq      Tel: (+92-42) 35777863-70      Cell: 0321-4861015      ehsan.haq@igi.com.pk

#### Islamabad Office

Muhammad Naveed      Tel: (92-51) 2604861-62      Cell: 0345-5599900      muhammad.naveed@igi.com.pk

#### Faisalabad Office

Gul Hussain      Tel: (92-41) 2540843-45      Cell: 0344-7770878      gul.hussain@igi.com.pk

#### Rahim Yar Khan Office

Junaid Faisal      Tel: (+92-68) 5871655-56      Cell: 0300-9673704      Junaid.Faisal@igi.com.pk

#### IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of Karachi Stock Exchange Limited and Lahore 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-F.C.C. Ground Floor, Syed Maratib Ali  
 Road, Gulberg II, Lahore  
 Tel : (+92-42) 35777863-70, 35876075-76  
 Fax : (+92-42) 35763542

#### Faisalabad Office

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

#### Islamabad Office

Mezzanine Floor Razia Sharif Plaza,  
 90-Blue Area G-7, Islamabad  
 Tel : (+92-51) 2802241-42, 2273439, 2273443  
 Fax : (+92-51) 2802244

#### Stock Exchange Office

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