Commodity News

Friday, June 01, 2018

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Gold

Technical

Gold markets continue to bounce around the $1300 level, an area that of course has been psychologically important more than once. However, there is a significant uptrend line underneath, so it is more than likely that it will find buyers eventually, but there are a lot of geopolitical concerns and of course the US dollar has been going back and forth due to the tariffs being slapped on the European Union, Canada, and Mexico by the United States. Economists think there is a lot of uncertainty right now, and although gold is sometimes considered to be a haven, the reality is that the US dollar continues to show signs of strength. If the market breaks above the $1308 level, the market should continue to go towards the $1325 level longer-term. Otherwise, it could go down to the previous uptrend line where there has been a significant amount of support.

Pivot:	1,298		
Support	1,295	1,292	1,288
Resistance	1,303	1,306	1,311

Source: FX EMPIRE

Highlights

- Gold prices finished with a loss to tally a second straight monthly decline
- Higher volume takes place in the dollar-priced gold market, leaving the commodity sensitive to the greenback's moves
- Interest-rate differentials favor the U.S dollar, so it expect the U.S Dollar Index to continue to trend higher
- The primary headwind for gold is the trend for a stronger U.S dollar
- The situation in Italy is fading as it is not seeing much of a safe haven bid for gold

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 flat yesterday even though the U.S dollar rally lost steam, as safe haven bids for bullion declined after political tensions in Italy eased, which also lifted the euro.
- The situation in Italy is fading. It is not seeing much of a safe haven bid for gold. Italy's two anti-establishment parties renewed attempts to form a government and avoid snap elections that investors fear would serve as a quasi-referendum on Rome's membership of the euro zone.
- Spot gold was flat at $1,300.66 ounce. It was down nearly 1 percent for the month, headed for its second straight monthly decline. U.S gold futures for June delivery were also essentially flat, settling down just $1.40 or 0.1 percent at $1,300.10 per ounce.
- Gold got an early boost as the dollar fell for a second day versus the euro, making dollar-priced gold cheaper for non-U.S investors. Italian bonds and European equities posted a second day of gains.
- Signs of inflation often encourage investors to buy gold, but higher wage growth would give the U.S Federal Reserve more incentive to hike interest rates. This could dent the appeal of gold, which does not bear interest.
- The contract ended about 1.6% lower for the month. Based on the most-active futures contracts, gold was down about 1.1% in May. The metal hit a fresh 2018 low in mid-May and cracked the downside of a $1,300-to-$1,350 range that had confined gold for much of this year.
- Geopolitical turmoil around the globe may keep gold anchored, but gold's near-term prospects are likely sideways to lower given our expectations for a much stronger dollar. The U.S Dollar Index slipped 0.1%, after hitting a 10-month high earlier this week.

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

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Crude Oil

Technical

Oil markets fell significantly during the day reaching down towards the $67 level before bouncing again, only to selloff again. The original selloff had to do with tariffs being applied to Canada and Mexico, which drove up the value of the US dollar. However, the market doesn't seem like it knows what to do quite yet, as it might trying to settle near the $67 level. It's probably best to sit on the sidelines and pay attention to the uptrend line underneath. Brent markets were spared some of the volatility, at least initially. It eventually fell from a spike to the $79 level, which makes a bit more sin structurally as there is a significant barrier of support just above. Economists think that the market continues to be very noisy in general, but it also recognize that there is significant support below at the $77 level, so at that area it would be looking for buyers to step in and perhaps try to pick up a little bit of value.

Pivot:	66.94		
Support	66.35	65.80	65.40
Resistance	67.95	68.65	69.45

Source: FX EMPIRE

Highlights

- Oil prices continued to dip slightly after a reported rise in inventories in the U.S
- A rise of 1 million barrels in U.S crude inventories in the week to May 25 to 434.9 million barrels
- U.S crude production has been rising relentlessly, increasing by more than a quarter in the last two years, to 10.73 million bpd
- A drop in inventories in the U.S was over shadowed by U.S output which jumped to a record-high level
- Global oil markets have been roiled by a surprising divergence between the world's major benchmarks

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

- Crude oil futures lost more ground today, with the U.S market set for a second week of decline on pressure from record U.S production and expectations of OPEC boosting output.
- U.S West Texas Intermediate crude lost 16 cents or 0.2 percent to $66.88 a barrel, after falling almost 2 percent. Global benchmark Brent crude, which was little changed in the previous session, was down 9 cents or 0.1 percent to $77.47 per barrel.
- For the week, WTI is on track for a 1.5 percent fall, adding to last week's near 5 percent decline, while Brent is set to rise 1.3 percent, widening the spread between the two benchmarks.
- U.S crude production has been rising to record-high levels since late last year. In March it jumped 215,000 barrels per day (bpd) to 10.47 million bpd, a new monthly record, the Energy Information Administration (EIA).
- The premium for Brent over WTI surpassed $11 a barrel, the largest since early 2015. It has doubled in less than a month, as a lack of pipeline capacity in the United States has trapped a lot of output inland.
- The report was supportive due to the large drop in crude oil inventories which was a function of a trifecta of bullish elements, strong demand from refiners, a sizeable drop in crude oil imports, and rebound in exports.
- Refinery crude runs rose 527,000 barrels per day to 17.2 million bpd as utilization rates jumped 2.1 percentage points to 93.9 percent of total capacity, both the highest runs and rates since January, EIA data showed. While Gasoline stocks rose by 534,000 barrels.

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

Silver

Technical

Silver markets have initially tried to rally yesterday but ran into trouble at the previous short-term uptrend line. It rolled over from there, broke below the $16.50 level, and now look like to continue to go a little bit lower. However, in this type of volatile situation it's difficult to know where it is going over the next couple of hours, so the Silver be traded in small positions, or perhaps even physical positions. However, if it breaks above the $16.60 level that would be very bullish sign. Silver sometimes can be thought of as an industrial metal, a precious metal, or simply a vehicle in which people use to find a safe haven. Economists think that the market will continue to be noisy in general, and that the US dollar strengthening due to the tariffs being slapped on other countries is more of a fear move than anything else. The $16.30 level underneath should continue to be support.

Pivot:	16.43		
Support	16.34	16.29	16.24
Resistance	16.51	16.58	16.63

Source: FX EMPIRE

Highlights

- Silver prices were near steady yesterday, in a choppy two-sided trading session
- The white metal got just a bit of support from a pullback in the U.S dollar index from its recent strong gains
- Spot silver declined 0.3 percent at $16.46 an ounce, but was on track for a monthly rise of about 1 percent, its biggest since January
- A dropping crude oil market that has come well down from its recent high is a bearish outside market factor for the precious metal
- July Comex silver was last down $0.034 at $16.51 an ounce

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 rose in Asian trade yesterday for the second session as the dollar stopped advancing and returned lower on profit-taking, paving the way of recovery for commodities.
- Political tensions subsidized in Europe as Italy policymakers work to solve the situation and avoid an early election, buoying euro against dollar. Silver prices last traded at $16.50 an ounce, with a session-high at $16.53, and a low at $16.41.
- Asian stocks rose today on strong risk appetite, in turn blunting the momentum of silver's advance, with dollar's dithering offering small support to the greenback-denominated white metal.
- Silver should be well supported and follow a smoother upwards path starting sometime in the latter part of 2018. Volatility will be natural this year, pointing to at least three more rate hikes in 2018.
- Considering that the market is expecting three Fed Funds rate increases this year, with a sizable contingent of market watchers still calling for four hikes and arguing for a shift in the dots to reflect that expectation, it is quite likely that the precious metals complex will be volatile for much of the year.
- The reasons for this optimism is predicated on our view that real and nominal interest rates will not rise to restrictive levels, industrial and physical demand should improve along with a robust global economy, while a weaker USD and sliding mining supply should also help.
- Dwindling precious metals supply, especially in the case of silver will work to support prices long-term. There are few funded large projects are on the horizon, there is likely to be a scramble in the next few years to fund the supply expansions required to balance future demand. There are likely to be upside risks to our price forecast and a meaningful interest in new capacity investment.

US Commodity Futures Trading Commission (CFTC) Data

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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

Data Calendar

Economic Data

Date	Time	Event	Importance	Actual	Forecast	Previous
Fri June 01	17:30	USD Change in Non-farm Payrolls (MAY)	High		190k	164k
Fri June 01	17:30	USD Change in Private Payrolls (MAY)	Medium		190k	168k
Fri June 01	17:30	USD Unemployment Rate (MAY)	High		3.9%	3.9%
Fri June 01	17:30	USD Average Hourly Earnings (YoY) (MAY)	Medium		2.6%	2.6%
Fri June 01	18:30	CAD RBC Canadian Manufacturing PMI (MAY)	High			55.5
Fri June 01	19:00	USD Construction Spending (MoM) (APR)	Medium		0.8%	-1.7%
Fri June 01	19:00	USD ISM Manufacturing (MAY)	High		58.1	57.3
Fri June 01	19:00	USD ISM Employment (MAY)	High			54.2
Fri June 01	19:00	USD ISM Prices Paid (MAY)	Medium		77.9	79.3

Source: Forex Factory, DailyFX

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