

# Commodity Outlook

Wednesday, March 02, 2016



## Gold

### Technical

Gold markets went back and forth during the course of the day on Tuesday, as the market continue to bounce around and what we perceive as a bullish triangle. It's only a matter of time before we break one direction or the other, and therefore we are watching this market with great interest. At this point, we believe the pullbacks should be bought as longer-term uptrend moves should be the way going forward. In fact, we fully expect this market to reach for a fresh, new high, and therefore we remain very bullish of the yellow metal right now.

Pivot:	1,227		
Support	1,220	1,211	1,202
Resistance	1,240	1,249	1,254

### Recommendation

Sell positions below 1240.00 with targets at 1220.00 and 1211.00 in extension

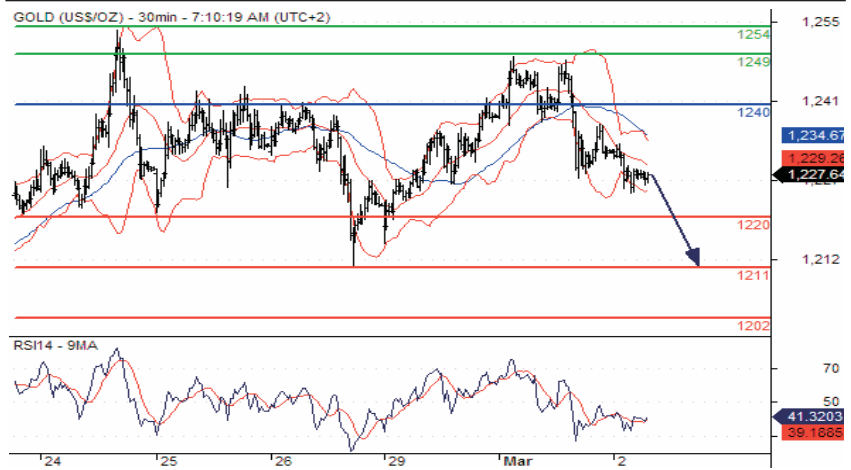
### Highlights

- Gold futures settled with a loss on Tuesday as better-than-expected U.S. economic data helped fuel a rally in the stock market
- April gold, -0.06% fell by \$3.60, or 0.3%, to settle at \$1,230.80 an ounce
- Upbeat data yesterday spurred a hawkish correction across asset classes, which is bearish for gold
- Construction spending rose a better-than-expected 1.5% in January
- Worse-than-expected inflation data from China had been supportive for the precious metal earlier

### Gold - Technical Indicators

RSI 14	62.13
SMA 20	1,215.33
SMA 50	1,147.19
SMA 100	1,114.93
SMA 200	1,127.47

### Gold Daily Graph



Source: Meta Trader, IGI Research

### Fundamentals

- Gold turned lower yesterday, as the dollar and global equity markets rose on better-than-expected U.S. data, fueling speculation the Fed will raise U.S. interest rates.
- Spot gold was down 0.2 percent at \$1,235.96 an ounce, after its biggest monthly gain in four years on safe-haven buying spurred by global economic concerns. U.S gold futures for April delivery settled down 0.3 percent at \$1,230.80.
- Gold prices were higher earlier, buoyed by weak Chinese manufacturing data and comments by New York Federal Reserve President William Dudley, who said he sees downside risks to his U.S. economic outlook. This could flag a longer pause before the Fed's next interest-rate hike than he and his colleagues had earlier signaled.
- The dollar rallied against a basket of major currencies after U.S. manufacturing appeared to stabilize in February, supporting views of higher U.S. interest rates, a source of pressure for gold prices.
- U.S. stocks led equity markets around the globe to their highest in a month. Meanwhile, European Central Bank President Mario Draghi said Euro zone growth and inflation prospects have weakened.
- Further inflows into gold-backed exchange-traded funds indicated buoyant investor appetite for gold with the largest, New York-listed SPDR Gold Shares, seeing inflows of nearly 15 tonnes on Monday, taking holdings to their highest since 2014.
- Although global economic concerns have prompted investors to channel money into gold, rising prices have muted some physical demand in the major Asian gold-consuming regions. India, the second-largest consumer, has reintroduced a local sales tax on gold jewelry and jewelers there will go on indefinite strike from Tuesday in protest.

### US Commodity Futures Trading Commission (CFTC) Data

Date	Large Speculators			Commercial			Small Speculators			Open Interest
	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	
26-Jan-16	135,390	108,051	56%	188,511	215,209	47%	36,847	37,668	49%	384,974
02-Feb-16	137,182	104,959	57%	182,101	215,122	46%	37,617	36,819	51%	379,550
09-Feb-16	139,124	100,357	58%	179,334	221,218	45%	38,246	35,249	52%	383,201
16-Feb-16	145,857	101,844	59%	199,650	244,905	45%	37,217	35,975	51%	415,426
23-Feb-16	146,018	99,435	59%	200,101	246,192	45%	36,635	37,127	50%	410,959

Source: CFTC, IGI Research

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## Crude Oil

### Technical

Crude Oil market initially fell yesterday but found enough support to continue to try to break out to the upside. However, there is a massive amount of bearish pressure just above, and as a result it's very likely that sooner or later there should be sellers in this region to push the market lower. Ultimately, an exhaustive candle gives us selling opportunities as we should continue to bounce around overall and perhaps try to drop towards the bottom of the consolidative region. That should have the market looking for the \$30 level, which would be our target.

Pivot:	33.99		
Support	33.00	32.00	31.60
Resistance	34.70	35.60	36.30

### Recommendation

Buy positions above 33.00 with targets at 34.70 and 35.60 in extension

### Highlights

- U.S crude inventories jumped by 9.9 million barrels last week, much more than the 3.6-million-barrel increase forecasted
- U.S crude, also known as WTI, was down 66 cents at \$33.74
- The strong inventory build reported by the API would explain why WTI is falling
- Traders will look closely at the U.S. government's weekly supply data today for confirmation of the inventory build
- Crude has collapsed from more than \$100 in mid-2014, pressured by excess supply

### Crude - Technical Indicators

RSI 14	57.36
SMA 20	31.13
SMA 50	31.63
SMA 100	36.01
SMA 200	41.98

### Crude Oil Daily Graph



Source: Meta Trader, IGI Research

### Fundamentals

- Oil markets rose to a two-month high Tuesday as traders focused on the possibility of an output agreement among large producers. Russia's energy minister said Tuesday that a "critical mass" of oil-producing countries had agreed to freeze oil production, state news agency TASS reported.
- Russia, Saudi Arabia, Venezuela and Qatar announced last month that they were willing to freeze production at January levels. Other countries in Africa, Latin America and the Persian Gulf have expressed optimism about joining the deal. Russia and Venezuela said last week they are planning a broad meeting of producers in mid-March.
- The United Arab Emirates' energy minister said yesterday that "everyone should move toward freezing production whether they like it or not," due to current low oil prices, according to the country's state news agency.
- Light, sweet crude settled up 65 cents, or 1.9%, at \$34.40 a barrel on the New York Mercantile Exchange, the highest settlement since Jan. 5. Brent, the global benchmark, rose 24 cents, or 0.7%, to \$36.81 a barrel on ICE Futures Europe, the highest level since Jan. 4.
- Market participants are unsure whether the measure would help shrink the global glut of crude, as production was high in January and Iran hasn't said it would participate in the deal. Iran's oil output is expected to rise this year now that international sanctions were lifted.
- Traders are also waiting on weekly U.S. inventory data due Wednesday. U.S. crude stockpiles are at their highest level in more than 80 years, and another inventory increase could weigh on prices.
- The API said that its own data for that week showed a 9.9-million-barrel increase in crude supplies, a 2.2-million-barrel decrease in gasoline stocks and a 2.7-million-barrel rise in distillate inventories, according to market participants.

### US Commodity Futures Trading Commission (CFTC) Data

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

Source: CFTC, IGI Research

# Commodity Outlook

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## Silver

### Technical

Silver markets initially rallied during the course of the day on Tuesday, but turned back around and form a bit of a shooting star. The shooting star of course is a negative sign, so it's likely that the silver market will pull back from here. At this point in time, it looks as if the \$14.40 level should be a bit of a floor in this market. A supportive candle below should be a buying opportunity, just as a break above the top of the shooting star for the day on Tuesday should be. Ultimately, we believe that silver will go higher given enough time.

Pivot:	14.79		
Support	14.58	14.38	14.20
Resistance	14.90	15.07	15.32

### Recommendation

Sell positions below 14.90 with targets at 14.58 and 14.38 in extension

### Highlights

- Silver prices are short-term bearish below the January 25 high of \$15.34 and may reach Friday's low of \$14.36
- The two prominent price drivers are the US Dollar and S&P 500
- Dollar and global equity markets rose on better-than-expected U.S data, fueling speculation the Fed will raise U.S. interest rates
- ECB President said Euro zone growth and inflation prospects have weakened
- Silver was down today 0.1 percent at \$14.86 an ounce

### Silver - Technical Indicators

RSI 14	47.00
SMA 20	15.16
SMA 50	14.54
SMA 100	14.46
SMA 200	14.87

### Silver Daily Graph



Source: Meta Trader, IGI Research

### Fundamentals

- Silver remains below \$15.00 per ounce; it is sitting at \$14.76. This price is absurdly cheap given the current state of the global economy and the uncertainty that the world now faces.
- One of the main reasons for silver being so depressed compared to the resilience that gold has shown is the incredible range of uses that silver has in the manufacturing of a vast number of products.
- With the global economy slowing down, so too has silver crashed, along with most other commodities. This has provided a unique opportunity for those of us who value silver as a monetary metal to accumulate it at insanely cheap prices given its current completely out-of-whack gold-to-silver ratio, a ratio that is screaming at the top of its lungs that silver is the steal of the century.
- Mints around the globe have reported record silver sales and have even been forced to temporarily shut down sales multiple times over the past couple of years, indicating that 1) the price is too cheap, and 2) physical silver is in demand.
- Another factor that barely anyone is talking about is how the silver mines that are still in production at these low prices have ramped up their mining operations to stay in business and to keep the cash flowing. They are selling their valuable asset for a fraction of its future value.
- Silver prices are short-term bearish below the January 25 high of \$15.34 and as long as price trades below this high, it may reach Friday's low of \$14.36. On a breach to the Friday low, silver may reach the February 2 low of \$14.23.
- The two prominent drivers for the lower silver prices are the US Dollar and S&P 500. Firstly, the Dollar has gained as traders have started to price in rate hikes by the Fed. Secondly, stock markets are higher, which lowers the need for safe haven assets such as silver.

### US Commodity Futures Trading Commission (CFTC) Data

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

Source: CFTC, IGI Research

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## Data Calendar

### Economic Data

Date	Time	Event	Importance	Actual	Forecast	Previous
Wed Mar 02	00:30	Australia Gross Domestic Product (YoY) (4Q)	high		2.5%	2.7%
Wed Mar 02	06:45	Switzerland Gross Domestic Product (YoY) (4Q)	high		0.1%	0.8%
Wed Mar 02	09:30	Markit/CIPS UK Construction PMI (FEB)	medium		55.5	55
Wed Mar 02	12:00	U.S MBA Mortgage Applications (FEB 26)	medium			-4.30%
Wed Mar 02	13:15	U.S ADP Employment Change (FEB)	medium		185k	205k
Wed Mar 02	15:30	DOE U.S. Crude Oil Inventories (FEB 26)	high		3400k	3502k
Wed Mar 02	15:30	DOE Cushing OK Crude Inventory (FEB 26)	medium		106k	333k
Wed Mar 02	15:30	DOE U.S. Gasoline Inventories (FEB 26)	medium		-1500k	-2236k
Wed Mar 02	19:00	U.S Federal Reserve Releases Beige Book	medium			

Source: Forex Factory, IGI Research

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