

Commodity Outlook

Thursday, March 10, 2016



Gold

Technical

Gold markets fell during the course of the session on Wednesday, as the market broke below the \$1250 level. However, there is a bit of an ascending triangle just below, so having said that it should find quite a bit of support. On a bounce or supportive candle, the market players are more than willing to start buying gold yet again, as it is most certainly in a nice and strong uptrend. On top of that, central banks around the world continue to soften their monetary policy, so it should continue to support the precious and base metals.

Pivot:	1,249		
Support	1,240	1,232	1,224
Resistance	1,265	1,278	1,291

Recommendation

Buy positions above 1240.00 with targets at 1265.00 and 1278.00 in extension

Highlights

- Gold fell yesterday as oil prices and world stock markets rose
- Expectations for further monetary easing from the European Central Bank prompted some investors to take profits
- Outflows were seen from bullion-based exchange-traded funds after hefty inflows earlier in the year
- The largest, SPDR Gold Shares, said its holdings fell 2.4 tonnes on Tuesday, its biggest outflow in nearly four weeks
- Spot gold was at \$1,252.68 an ounce, down 0.6 percent

Gold - Technical Indicators

RSI 14	61.48
SMA 20	1,236.99
SMA 50	1,172.14
SMA 100	1,123.69
SMA 200	1,130.85

Gold Daily Graph



Source: Meta Trader, IGI Research

Fundamentals

- Gold dipped on Wednesday as expectations for further monetary easing from the European Central Bank this week drove down the euro versus the dollar, prompting some investors to take profits after the metal's rally to 13-month highs.
- Outflows were seen from bullion-backed exchange-traded funds after hefty inflows earlier in the year. The largest, SPDR Gold Shares, said its holdings fell 2.4 tonnes on Tuesday, their biggest outflow in nearly four weeks.
- Spot gold was at \$1,258.41 an ounce, down 0.2 percent, while US gold futures for April delivery were down 0.3 percent at \$1,259.40 an ounce. Strength in the dollar also weighed on gold, as the euro fell 0.4 percent against the US unit ahead of an ECB policy meeting on Thursday.
- The bank is expected to cut its deposit rate by at least 10 basis points and expand its asset-buying programme. If the bank does meet market expectations, the euro should weaken and the dollar should strengthen, so we should see dollar gold testing the downside.
- The March FOMC meeting had been tipped last year as a likely opportunity for the Fed to raise rates. Concerns over the stability of the global economy and a raft of mixed US data have since caused analysts to dial back those expectations.
- Gold tends to be weighed down by rising interest rates, which lift the opportunity cost of holding non-yielding bullion while boosting the dollar, in which it is priced.
- The Fed lifted rates for the first time in nearly a decade in December. Dwindling expectations for a hike sparked a 20 percent rally in gold prices from the end of December to last week's peak of \$1,279.60 an ounce. The market has done phenomenally well this year with over a \$200 gain from the opening day.

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

The WTI Crude Oil market rallied during the course of the day on Wednesday, as the \$36 level offered support yet again. The \$38 level above has offered resistance, and as a result it looks like short-term traders will continue to go back and forth, and short-term traders will probably continue to find the volatility appealing. Ultimately, there is a massive amount of resistance all the way up to the \$40 level, and you also have to keep in mind that US shale oil producers will more than likely flood the market with excess supply as \$40 is an excellent target for those producers. Market looks as if its getting ready to go higher.

Pivot:	38.20		
Support	36.75	36.05	35.30
Resistance	39.35	40.40	41.00

Recommendation

Buy positions above 36.75 with targets at 39.35 and 40.40 in extension

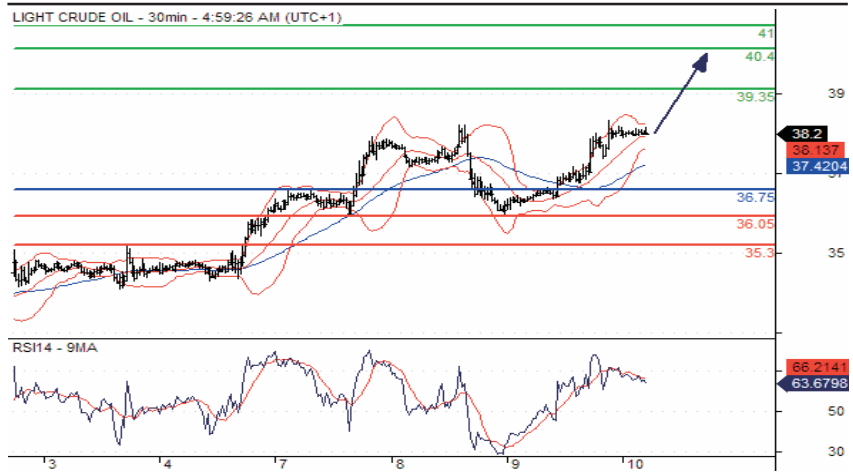
Highlights

- Oil prices dipped today after U.S crude hit 2016 highs yesterday
- Analysts warning that larger gains would be unwarranted as a global glut continues to outweigh strong demand
- Stimulus from the ECB, would strengthen the Dollar against the Euro and potentially hamper dollar-traded oil imports
- The focus lies on a potential agreement between producers from the OPEC
- Most analysts expect the oil glut to last into 2017 resulting in low prices

Crude - Technical Indicators

RSI 14	65.57
SMA 20	33.95
SMA 50	31.93
SMA 100	35.34
SMA 200	41.18

Crude Oil Daily Graph



Source: Meta Trader, IGI Research

Fundamentals

- U.S. oil prices jumped nearly 5 percent on Wednesday after a huge draw in U.S. gasoline inventories last week convinced the market that energy demand was improving despite U.S. crude stockpiles hitting record highs for a fourth week.
- Crude prices also gained support on speculation that top oil producers might agree soon to an output freeze. U.S. crude futures settled \$1.79 higher, or 4.9 percent, at \$38.29 a barrel. Brent crude futures rose \$1.29 to \$40.94 a barrel, having touched three-month highs on Tuesday.
- The U.S. Energy Information Administration said crude stockpiles rose 3.9 million barrels to nearly 522 million barrels, as predicted by analysts in a Reuters poll. But gasoline inventories fell 4.5 million barrels, much more than the polled number of 1.4 million barrels.
- Earlier in the session, oil rallied after an Iraqi oil official told a state newspaper that producers in and outside the Organization of the Petroleum Exporting Countries plan to meet in Moscow on March 20 to discuss an output freeze. But Russia's energy ministry said no date or place had been set for the meeting.
- Worries about too much oil supply caused global benchmark Brent to fall 3 percent on Tuesday, snapping a six-day rally after hitting 2016 highs above \$40. But buying in crude returned on Wednesday as talk of OPEC action gathered momentum.
- Oil prices have risen by around 25 percent since Saudi Arabia, Qatar, Venezuela and non-OPEC exporter Russia said in mid-February they would leave supply at January's levels if there was enough support from other producers.
- Energy consultancy Wood Mackenzie said "the annual average price for 2016 to be lower than 2015 and then recover in 2017, reflecting large oversupply and high stock levels during the first half of 2016."

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

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Silver

Technical

The silver markets fell during the day on Wednesday, testing the \$15.20 level. That's an area that caused enough support to turn things back around slightly though, and it looks as if the market is trying to form a bit of a hammer. Ultimately, we do believe that the market goes higher anyways, so we are buyers of silver on signs of support and of course bouncing. We have no interest whatsoever in shorting this market, because even though a breakdown would be very negative, the reality is there's a time of support just below.

Pivot:	15.27		
Support	15.03	14.85	14.69
Resistance	15.48	15.80	15.95

Recommendation

Buy positions above 15.03 with targets at 15.48 and 15.80 in extension

Highlights

- Silver prices may try to carve out a low at current levels as the risk/reward ratio has tilted to be in favor of bullish traders
- The short-term trend is bullish above the March 3 low of \$14.87
- Strength in the Dollar also weighed on Silver, as the euro fell 0.4 percent against the US unit ahead of an ECB policy meeting
- March FOMC meeting had been tipped last year as a likely opportunity for the Fed to raise rates
- Silver was up 0.3 percent at \$15.36 an ounce in yesterday's trading session

Silver - Technical Indicators

RSI 14	54.14
SMA 20	15.21
SMA 50	14.75
SMA 100	14.46
SMA 200	14.84

Silver Daily Graph



Source: Meta Trader, IGI Research

Fundamentals

- Silver prices have now corrected 50% of their gains from the February 29 low of \$14.6 and as the short-term trend defining level for most traders is the February 29 low of \$14.6. The risk/reward ratio and trend is now favoring bullish positions.
- The largest primary silver mine in the world saw its average yield fall to the lowest level ever in 2015. Matter-a-fact, the primary silver mine's yield fell nearly 16% compared to last year. This is a substantial decline in productivity from the world's largest mine in Mexico that starting production in 1824.
- Expectations for further monetary easing from the European Central Bank prompted some investors to take profits after the metal's rally last week. Silver was down 0.1 percent at \$15.29 an ounce today.
- The Euro held firm in choppy trading as investors awaited an European Central Bank meeting, which they expect will result in interest rates falling deeper into negative territory and more bond purchases to help the euro zone economy. If the bank does meet market expectations, the euro should weaken and the dollar should strengthen.
- The market is also awaiting the U.S. Federal Reserve meeting next week. Last year, this meeting was seen as a likely opportunity for the Fed to raise interest rates.
- However, concerns over the stability of the global economy and mixed signals from U.S. data have since caused analysts to revise expectations. Silver tends to be pressured by rising U.S. interest rates, which lift the opportunity cost of holding non-yielding bullion while boosting the dollar, in which it is priced.
- Following a potential failure to bounce at current levels and a breach to the March 3 low of \$14.87, there is a heightened risk that price may turn bearish. If this occurs, bullish traders will head for the exit.

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
Thu Mar 10	01:00	Reserve Bank of New Zealand Rate Decision (MAR 10)	high		2.50%	2.50%
Thu Mar 10	06:30	China Consumer Price Index (YoY) (FEB)	high		1.8%	1.8%
Thu Mar 10	06:30	China Producer Price Index (YoY) (FEB)	high		-4.9%	-5.3%
Thu Mar 10	12:00	German Trade Balance (euros) (JAN)	medium		17.0b	19.0b
Thu Mar 10	17:45	European Central Bank Rate Decision (MAR 10)	high		0.05%	0.05%
Thu Mar 10	17:45	ECB Deposit Facility Rate (MAR 10)	high		-0.40%	-0.30%
Thu Mar 10	17:45	ECB Marginal Lending Facility (MAR 10)	high		0.30%	0.30%
Thu Mar 10	18:30	U.S Initial Jobless Claims (MAR 5)	medium		275k	278k
Thu Mar 10	18:30	U.S Continuing Claims (FEB 27)	medium		2252k	2257k

Source: Forex Factory, IGI Research

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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