

# Commodity Outlook

Tuesday, March 22, 2016



## Gold

### Technical

Gold markets fell initially during the day on Monday, testing the \$1240 level. The gold market bounced enough to form a bit of a hammer like candle, and this suggests to investors that the buyers are waiting below to pick up value as it appears. With this, the market players are looking for supportive candles in order to start going long, and have absolutely no interest whatsoever in selling gold. We believe that there is a massive floor in the market near the \$1200 level presently. We believe also that we will reach out towards the \$1300 level fairly soon.

Pivot:	1,246		
Support	1,235	1,225	1,215
Resistance	1,255	1,266	1,271

### Recommendation

Sell positions below 1255.00 with targets at 1235.00 and 1225.00 in extension

### Highlights

- Gold fell yesterday, extending losses for a third day as the dollar arrested three weeks of falls
- The Yellow metal was underpinned by expectations that the ultra-low interest rate environment will persist
- U.S. Federal Reserve policymakers revised down the number of times they expect to raise interest rates this year to two from four
- Gold has risen 17 percent this year as expectations for fresh rate hikes faded
- Holdings of gold-backed exchange-traded funds, continued to rise

### Gold - Technical Indicators

RSI 14	56.98
SMA 20	1,250.88
SMA 50	1,201.07
SMA 100	1,138.50
SMA 200	1,133.95

### Gold Daily Graph



Source: Meta Trader, IGI Research

### Fundamentals

- Gold fell yesterday for a third day, with demand for bullion hurt as the dollar arrested three weeks of declines after hawkish comments from US Federal Reserve officials renewed expectations of US interest rate hikes.
- The U.S Dollar rose 0.2 percent against a basket of currencies, as two central bank officials, San Francisco Fed President John Williams and Atlanta Fed President Dennis Lockhart, raised the possibility of a rate hike as soon as April. Spot gold was down 0.9 percent at \$1,244.50 an ounce, while US gold futures for April settled down \$10.10 an ounce at \$1,244.20.
- The metal has risen nearly 17 percent this year on fading expectations for rate hikes. It rallied on Wednesday after Fed policymakers revised down the number of times they expect to raise interest rates this year to two from four, but it failed to revisit the previous week's 13-month high, and it slid as the dollar rebounded.
- The Easter holidays at the end of the week will cost gold some momentum. Market indicators are signaling that investors see stronger risks of inflation, which has been almost non-existent since the credit crisis, despite scepticism from the Fed.
- Some economists fear that ultra-low interest rates around the world will eventually stoke inflationary pressures. Gold has benefited from low rates, which cut the opportunity cost of holding non-yielding assets like gold.
- Holdings of gold-backed exchange-traded funds, which issue securities backed by physical metal, continued to rise. The largest, New York-listed SPDR Gold Shares, reported an 11.9-tonne inflow on Friday, bringing its total inflow for the year to 176.6 tonnes, up from 40.8 tonnes in the same period of last year.
- Some economists fear that ultra-low interest rates around the world will eventually stoke inflationary pressures. Gold has benefited from low rates, which cut the opportunity cost of holding non-yielding assets like gold.

### 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 continued to show strength during the day on Monday, as we are reaching towards the \$42 level again. However, there is the specter of US shale producers entering the market and trying to lock in prices at \$40 a barrel. So then the question becomes whether or not they can break above there, and with that it's likely that there will be a lot of volatility. There has been a massive rally in this market lately, and one has to believe now that we are starting to look The currency issue as opposed to supply. After all, the US dollar continues to fall, and that of course is good for commodities in general.

Pivot:	39.91		
Support	38.60	37.73	37.10
Resistance	41.20	42.15	42.95

### Recommendation

Buy positions above 38.60 with targets at 41.20 and 42.15 in extension

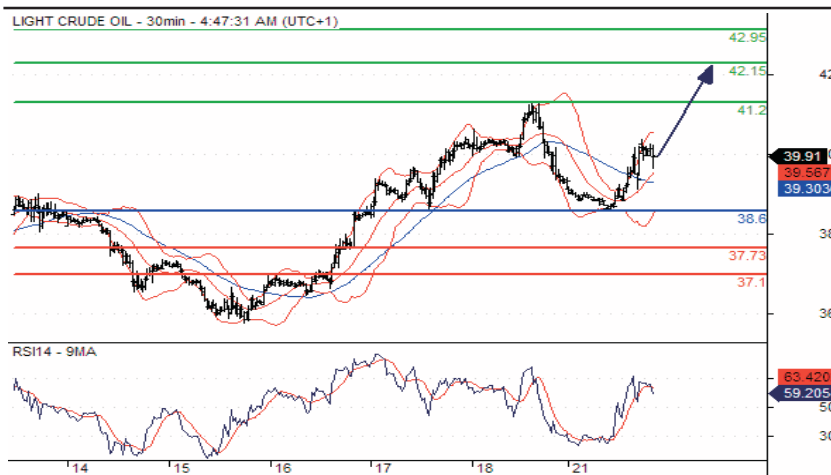
### Highlights

- Oil prices rose on Monday as data showed a drawdown at the Cushing, Oklahoma delivery hub for U.S. crude
- U.S crude futures for April, settled at \$39.91 a barrel, up 47 cents, or 1.19 percent
- The market's upside was limited by concern that U.S oil drillers could ramp up output again after a two-month long recovery in prices
- Baker Hughes, showed U.S energy companies added one oil rig last week after 12 weeks of cuts
- Data from the U.S. CFTC showed that money managers had raised bullish bets on U.S crude

### Crude - Technical Indicators

RSI 14	68.92
SMA 20	37.38
SMA 50	33.60
SMA 100	35.03
SMA 200	40.27

### Crude Oil Daily Graph



Source: Meta Trader, IGI Research

### Fundamentals

- Oil prices rose about 1 percent on Monday after data showed crude inventories at the Cushing, Oklahoma delivery hub for U.S. futures fell for the first time since January, and ahead of the expiration of the U.S. front-month contract.
- Oil's upside, however, was limited by concerns that U.S. energy companies could ramp up drilling again after a two-month long recovery in crude prices. Brent crude futures for May delivery, the front-month, settled up 34 cents, or 0.8 percent, at \$41.54 a barrel. Brent has risen 53 percent from 12-year lows of \$27.10 hit on Jan. 20.
- U.S. crude's futures for April gained 47 cents, or 1.2 percent, to settle at \$39.91, expiring as the front-month. The more-active May contract, which is now front-month from today, finished up 38 cents at \$41.52.
- Crude stockpiles in Cushing fell 570,574 barrels to 69.05 million in the week to March 18, traders said, citing data from market intelligence firm Genscape. Cushing inventories had previously risen toward 70 million barrels, causing market participants to fear they could hit capacity.
- Genscape's Cushing data, however, contrasts with a Reuters poll of analysts showing U.S. crude inventories as a whole likely rose 3 million barrels in the week to March 18, rewriting a previous record high. Government data showed Cushing crude stocks rose to a peak of 67.5 million barrels in the week to March 11.
- Stockpile worries aside, some analysts fear U.S. oil production is creeping higher. On Friday, data from energy service firm Baker Hughes, showed U.S. drillers added one oil rig last week after 12 weeks of cuts.
- The higher prices go in the current recovery rally, the higher the likelihood that U.S producers are going to build their hedge portfolios, which could then result in oil production not declining as much what the current forecasts are showing,

### 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

Silver markets went back and forth yesterday, as we continue to try to build up momentum to break out above the \$16 level. This is an area that should cause quite a bit of resistance, so with that being said we believe that a move above the top of the shooting star from the Friday session would be a huge buy signal. Ultimately though, we do think that happens but we may have to pullback first in order to find enough momentum to finally do that. At this point, we believe that pullbacks to show signs of support all the way down to the \$15.20 level should be buying opportunities.

Pivot:	15.79		
Support	15.50	15.31	15.16
Resistance	15.95	16.14	16.35

### Recommendation

Sell positions below 15.95 with targets at 15.50 and 15.31 in extension

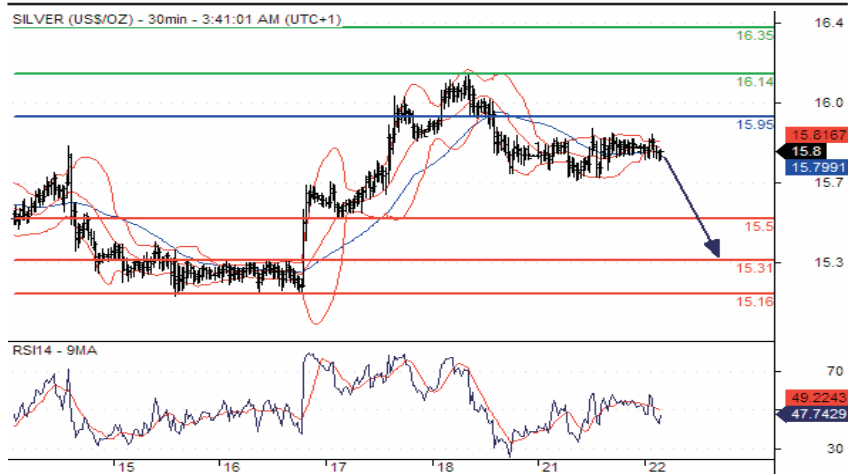
### Highlights

- As producers react to weak Chinese demand by slashing output of copper, zinc and lead, a side effect is silver prices getting a boost
- U.S home resales fell sharply in February in a potentially troubling sign for America's economy
- A stronger dollar makes precious metals more expensive for investors paying with other currencies
- Market indicators are signaling that investors see stronger risks of inflation
- Silver was up 0.2 percent at \$15.82 an ounce in yesterday's session

### Silver - Technical Indicators

RSI 14	53.58
SMA 20	15.23
SMA 50	14.84
SMA 100	14.48
SMA 200	14.84

### Silver Daily Graph



Source: Meta Trader, IGI Research

### Fundamentals

- Silver had edged down by 0.1 percent at \$15.811 an ounce and looked at risk of further weakness as the dollar edged up on comments by a Federal Reserve official that the next U.S. rate rise could come as soon as next month.
- The United States may be in line for an interest rate hike as soon as April, Atlanta Fed President Dennis Lockhart said on Monday, another sign that policymakers are comfortable allowing U.S. monetary policy to diverge from other major economies.
- Prospects for higher interest rates were already helping the dollar revive from five-months lows touched last week. A stronger dollar makes silver more expensive for investors paying with other currencies.
- U.S. home resales fell sharply in February in a potentially troubling sign for America's economy, which has otherwise looked resilient to the global economic slowdown.
- Market clues seem to indicate that investors now see stronger risks of inflation, which has been almost non-existent since the credit crisis, despite scepticism from the Fed and the fairly slow pace of U.S. economic growth.
- Silver prices declined for two straight days leading up to the Fed's announcement on Wednesday last week. On Monday, March 18, the price of silver opened at \$15.58 and fell 1.6% to close at \$15.33. It was mostly flat on Tuesday, falling just 0.3% to \$15.25.
- The gold-to-silver ratio – a tool used to determine how many ounces of silver can be bought with one ounce of gold – has dialed back a bit, indicating that silver's gains are just getting started. As producers react to weak Chinese demand by slashing output of copper, zinc and lead, a side effect is silver prices are getting a boost as less of the precious metal is unearthed.

### 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
Tue Mar 22	05:30	Australia House Price Index (YoY) (4Q)	medium	8.7%	8.5%	10.7%
Tue Mar 22	09:30	Japan All Industry Activity Index (MoM) (JAN)	medium	2.0%		-0.9%
Tue Mar 22	12:00	Switzerland Trade Balance (Swiss franc) (FEB)	medium	4.07b		3.51b
Tue Mar 22	14:00	German IFO - Current Assessment (MAR)	medium			112.9
Tue Mar 22	14:00	German IFO - Expectations (MAR)	medium		99.8	98.8
Tue Mar 22	14:30	U.K Consumer Price Index (YoY) (FEB)	high		0.4%	0.3%
Tue Mar 22	15:00	Euro-Zone ZEW Survey (Economic Sentiment) (MAR)	medium			13.6
Tue Mar 22	18:00	U.S House Price Index (MoM) (JAN)	medium		0.5%	0.4%
Tue Mar 22	18:45	Markit US Manufacturing PMI (MAR)	medium		51.5	51.3

Source: Forex Factory, IGI Research

