Commodity News

Wednesday, May 16, 2018

Gold

Technical

Gold spiked lower yesterday, falling more than 1 percent while hitting its lowest price for the year as rising U.S Treasury yields pushed up the U.S Dollar. The trend turned down when sellers took out the last swing bottom at $1304.20. The move was reaffirmed when the move extended through $1302.30. The main range is $1247.20 to $1375.50. Its retracement zone is $1311.40 to $1296.20. This zone provided support earlier in the month when buyers came in and bottoms were formed at $1304.20 and $1302.30. Based on the current price at $1291.90, the direction of the gold market over the near-term will be determined by trader reaction to the Fibonacci level at $1296.20. A sustained move under $1296.20 will indicate the selling is getting stronger. The daily chart indicates there is plenty of room to the downside with the next target the December 12 main bottom at $1247.20.

Pivot:	1,293		
Support	1,288	1,283	1,279
Resistance	1,301	1,305	1,311

Source: FX EMPIRE

Highlights

- Gold marked lowest settlement of the year as 10-year yield jumps and Dollar rallies
- Mostly economically positive were all putting pressure on gold
- The retreat for gold also pushes the commodity below its 200-day moving average at $1,307.80 for the first time since late December
- The yellow metal has fallen below major technical support at $1,300
- The latest boost in short-term interest rates is leading to further U.S dollar strength which is also leading gold lower

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 slid more than 1 percent yesterday, falling for a third day to hit its lowest this year as a rise in U.S borrowing costs pushed up the dollar and overshadowed the impact of strife in Gaza.
- Downward momentum in gold picked up after the metal broke below support at its 200-day moving average at $1,306 an ounce. That firmly underpinned prices earlier this month.
- Spot gold lost 1.6 percent at $1,290.91 an ounce, earlier hitting its lowest since late December at $1,289.40. U.S gold futures for June delivery settled down $27.90, or 2.12 percent, at $1,290.30 per ounce.
- Gold investors were fixated on the U.S dollar, which rose versus a currency basket as 10-year U.S bond yields shot above 3 percent, sending borrowing costs higher in a number of other countries. Gold is highly sensitive to rising U.S interest rates because it does not bear interest.
- It's a risk-off play across the board. The downward slide in pretty much all commodities and equities, you can refer that to a stronger dollar and higher yields. A Federal Reserve official backed the case for further U.S interest rate hikes, saying inflation had not yet reached the U.S central bank's 2 percent goal in a sustained way.
- Higher U.S interest rates tend to boost the dollar and bond yields, making greenback-denominated gold more expensive for holders of other currencies and denting the appeal of non-yielding assets such as bullion.
- However if yields were to ease, bullion could recover lost ground over the coming days. Otherwise the only hope for dollar-denominated gold is a potential correction in the greenback now. A stronger greenback makes bullion more expensive for holders of other currencies.

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

Based on the current chart pattern, the near-term direction of the WTI crude oil market is likely to be determined by trader reaction to the major Fibonacci level at $70.60. July West Texas Intermediate crude oil futures pulled back into the close yesterday after reaching another multi-year high earlier in the session. Concerns over U.S sanctions against Iran underpinned the market while a surge in the dollar capped the market's gains. The main trend is up according to the daily swing chart. The uptrend was reaffirmed earlier in the session when buyers traded through the previous main top at $71.80. The new main bottom is $70.24. A trade through this bottom will change the main trend to down. Based on the current chart pattern, the near-term direction of the WTI crude oil market is likely to be determined by trader reaction to the major Fibonacci level at $70.60.

Pivot:	71.03		
Support	70.60	70.30	70.00
Resistance	71.40	71.90	72.30

Source: FX EMPIRE

Highlights

- U.S oil settled higher yesterday as tensions in the Middle East helped to extend gains in crude futures
- U.S crude oil prices have flip-flopped on a strong Dollar
- U.S light crude closed 35 cents or 0.5 percent, higher at $71.31 a barrel, also not far off the day's peak at $71.92, its highest since November 2014
- Total U.S oil production stood at 10.7 million barrels a day for the week ended May 4
- Crude oil gained as the market retains support from OPEC and other producers

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

- Oil prices settled a shade firmer after retreating from multi-year highs hit yesterday, supported by concerns that U.S sanctions on Iran are likely to restrict crude exports from one of the biggest producers in the Middle East.
- Brent crude oil settled at $78.43 a barrel, up 20 cents or 0.3 percent, after reaching an intraday peak of $79.47 a barrel, up $1.24 and its highest since November 2014.
- The difference between the two benchmarks briefly widened to more than $8 a barrel, the widest gap since April 2015, reflecting surging U.S crude supplies and a greater geopolitical risk to Brent-based crudes.
- Prices pulled back in post-settlement trade after an industry organization said U.S crude stockpiles built unexpectedly last week. U.S crude dropped 6 cents to $70.90 a barrel.
- World oil prices have surged more than 70 percent over the last year as demand has risen sharply while production has been restricted by the Organization of the Petroleum Exporting Countries, led by Saudi Arabia, and other producers, including Russia.
- In particular, crude output from shale has made steady monthly gains since the beginning of 2017. A monthly report the EIA shows crude-oil production from seven major U.S shale plays is expected to see a climb of 144,000 barrels a day in June to 7.178 million barrels a day.
- Meanwhile, there is an expectation of a shortage in deliveries of light crude to Europe, driven by concerns surrounding crude oil from Iran on the heels of the Trump administration's plan to reimpose economic sanctions on Iran.

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 break down significantly yesterday at the US dollar strengthen overall, and wreaked havoc in the financial markets. Economists think that the market then started selling off anything that was valued in US dollars, as the currency headwinds caused a lot of issues. Market players like the idea of buying silver “on the cheap”, but it also recognize that leverage is going to be a killer in this market. It shows that ultimately it will see a lot of pressure to the upside, but this is an investment, not a market to trade rapidly a lot of times. The market will ultimately find support near the $16 level, but if it don’t, then the longer-term support at $15.50 comes into play. At that point, it might to break down that could be catastrophic. Longer-term, silver finds its way towards the $20 level, but this could take quite some time. In the short term, it anticipate being patient and waiting for stability is the way to go.

Pivot:	16.28		
Support	16.17	16.02	15.92
Resistance	16.35	16.45	16.55

Source: FX EMPIRE

Highlights

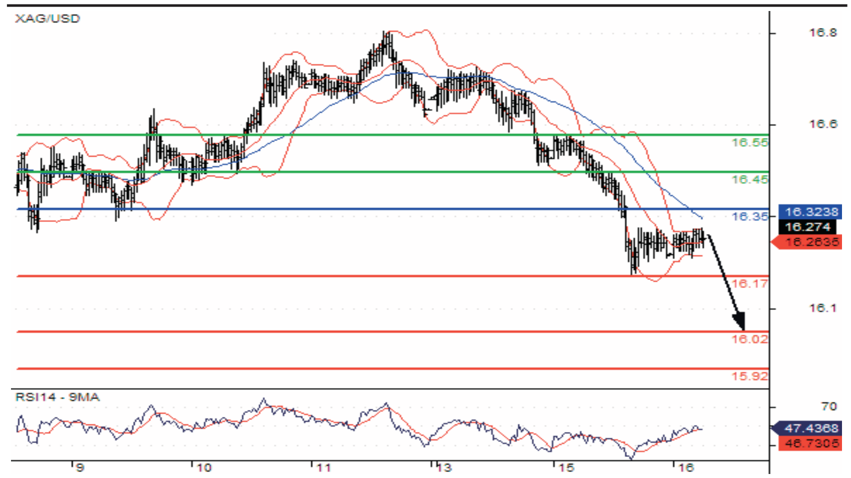
- Silver drifted lower, down to the last week low, at $16.30, from $16.72 highs
- Dollar-denominated assets such as silver is sensitive to moves in the dollar
- The dollar hit 93.32, the highest level this year. As a trade war between the U.S and China became less likely
- The Silver has been seen ranging since Ferbuary, with the ranges been narrow within 16.04 – 17.34
- A gain in the dollar makes silver more expensive for holders of foreign currency and thus decreases demand for the precious metal

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 declined 1.5 percent at $16.26 an ounce, earlier hitting its lowest in nearly two weeks at $16.18 an ounce. A bearish breakdown could quickly pull prices back down to the $14/oz level. While a bullish breakout would target $20.50 and potentially much higher beyond that.
- The U.S dollar index surged to a five-month high today, as the currency has been a significantly bearish force working against the precious metals bulls. July comex silver was last down $0.39 at $16.255 an ounce.
- Silver markets also saw selling pressure in reaction to the U.S retail sales report for April, which came in at up 0.3%, which was in line with market expectations.The silver market’s consolidation has formed a symmetrical triangle pattern. Prices are now nearing the apex of that triangle.
- The Empire State manufacturing report also came in solid today. These reports as showing a healthy U.S economy that won’t deter the Federal Reserve from continuing to raise interest rates. In fact, some market players are now thinking the Fed could be a bit more aggressive on tightening its monetary policy.
- U.S Treasury note and bond yields rose to multi-year highs today, with the benchmark 10-year note pushing above the psychologically important 3.0% level. Rising bond yields could pull away investor demand for silver.
- If equity markets continue to drop, investors could jump into silver as an alternative safe-haven investment. If long-term inflation pressures move higher, then silver still looks attractive as real interest rates will remain low.
- Silver has finally moved below its recent range as the market has been unable to withstand rising interest-rate expectations, which have pushed U.S 10-year bond yields above 3%, their highest level since 2011. The silver market appears to be on the cusp of something big. After months of consolidation that have been frustrating to many bulls.

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	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

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Wednesday, May 16, 2018

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Data Calendar

Economic Data

Date	Time	Event	Importance	Actual	Forecast	Previous
Wed May 16	01:00	USD Net Long-term TIC Flows (MAR)	Medium	$61.8b		$49.0b
Wed May 16	04:50	JPY Gross Domestic Product Annualized s.a. (QoQ) (1Q P)	High	-0.6%	-0.1%	0.6%
Wed May 16	06:30	AUD Wage Price Index (YoY) (1Q)	Medium	2.1%	2.1%	2.1%
Wed May 16	14:00	EUR Euro-Zone Consumer Price Index (MoM) (APR)	Medium		0.3%	1.0%
Wed May 16	17:00	EUR ECB President Draghi Speaks in Frankfurt	High			
Wed May 16	17:30	USD Housing Starts (MoM) (APR)	Medium		-0.7%	1.9%
Wed May 16	18:15	USD Industrial Production (MoM) (APR)	Medium		0.6%	0.5%
Wed May 16	18:15	USD Manufacturing (SIC) Production (APR)	Medium		0.5%	0.1%
Wed May 16	19:30	USD DOE U.S. Crude Oil Inventories (MAY 11)	Medium			-2197k

Source: Forex Factory, DailyFX

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