

Gold

Technical

August Comex Gold futures are called higher. Oversold conditions and the weaker dollar are contributing to the strength. If the U.S. Dollar retraces 50% of its recent rally as expected then gold could make a similar move to the upside. The main trend is down according to the daily swing chart. The market is in no position to turn the main trend to up, but it is ripe for a sizeable retracement. The short-term range is \$1292.40 to \$1220.60. Its 50% level at \$1256.00 is the next upside target. It is followed closely by another 50% level at \$1259.90. Based on the early price action and the current price at \$1230.90, the direction of the market today is likely to be determined by trader reaction to the downtrending angle at \$1236.00. A sustained move under \$1236.00 will indicate that sellers are still present.

Pivot:	1,228		
Support	1,217	1,210	1,202
Resistance	1,242	1,248	1,256

Highlights

- Gold slipped to a seven-week low in yesterday's trading session
- Expectations of an early interest rate hike by the U.S Federal Reserve pushed the dollar to a near two-month high
- Spot gold was little changed at \$1,226.41 per ounce
- New U.S single-family home sales recorded their biggest gain in 24 years in April touching a more than eight-year high
- U.S federal funds futures were flat to slightly lower yesterday.

Gold - Technical Indicators

RSI 14	53.74
SMA 20	1,275.17
SMA 50	1,252.47
SMA 100	1,218.97
SMA 200	1,163.02

Gold Daily Graph



Source: Meta Trader

Fundamentals

- Gold edged higher today as the dollar's rally paused, moving away from a seven-week low hit in the previous session, though gains were limited by expectations the U.S. rates could rise as early as June.
- Gold has entered a phase of consolidation due to stronger views that the U.S. Fed will raise rates this summer. Today gold is just seeing a technical rebound after the metal touched \$1,217 yesterday, where the next charts support stands.
- The prospect of an interest rate rise, as indicated by U.S. Fed meeting minutes released last week, and a strengthening dollar have pushed gold down 5 percent so far in May, putting it on track for its biggest monthly decline since November.
- Higher interest rates increase the opportunity cost of holding non-interest yielding gold. Dallas Fed President Robert Kaplan said on Wednesday he would support raising interest rates in the "near future", though a vote by Britain on whether to leave the European Union will weigh on any Fed rate decision in June.
- The market will also monitor Fed Chair Janet Yellen's comments at a panel event hosted by Harvard University on Friday. The dollar index inched down 0.1 percent, moving away from a two-month high of 95.661 notched in the previous session, and making gold cheaper for foreign currency holders.
- European shares were mixed on Thursday with banks on the back foot following a recent rally while commodity stocks were boosted as Brent crude oil prices hit \$50 a barrel for the first time since November.
- Investors will be looking for cues from U.S. weekly unemployment data and pending April home sales figures, scheduled for later in the day. Top consumer China's gold imports via main conduit Hong Kong dipped in April from a three-month high in the previous month, data showed today.

US Commodity Futures Trading Commission (CFTC) Data

Date	Large Speculators			Commercial			Small Speculators			Open Interest
	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	
23- Feb-16	227381	82403	73%	120854	284003	30%	49448	31277	61%	384,974
01- Mar-16	223186	70773	76%	115571	287002	29%	51148	36,819	61%	450555
08- Mar-16	252895	78085	76%	116493	311865	27%	53520	32958	62%	499110
15- Mar-16	247659	78147	76%	118610	304141	28%	49810	33791	60%	493086
22- Mar-16	258646	79815	76%	127081	327075	28%	51562	30399	63%	510579

Source: CFTC

Crude Oil

Technical

The WTI Crude Oil markets tried to rally during the course of the day on Wednesday, but struggled enough to turn things back around and form a bit of a shooting star. The shooting star of course is a negative sign, and the fact that it formed just below the \$50 level suggests that we are going to struggle to get above the \$50 level. However, it is somewhat likely that we continue to go above and continue to grind even higher. In the short-term though, it looks as if the market will probably try to find the \$48 level, an area where we had seen quite a bit of bullish pressure. Ultimately, I do think that this is simply a momentum building exercise, and as a result it would only be a matter time before the buyers return. Ultimately, I think that the “floor” in this market is somewhere close to the \$46 handle. The \$50 level above being broken could send this market looking for the top of the \$54 level.

Pivot:	49.29		
Support	48.65	48.20	47.65
Resistance	50.46	50.95	51.58

Highlights

- Oil prices have risen above \$50 a barrel for the first time in almost seven months
- Data from the US government which showed a sharper-than-expected fall in crude stocks last week
- Supply disruption by the wildfires in Canada’s Alberta and outages in Nigeria is starting to be felt
- US crude stocks fell at the steepest rate in seven weeks last week by 4.2m barrels
- The price of US oil futures also rose by 33 cents, the highest since October

Crude - Technical Indicators

RSI 14	69.75
SMA 20	45.75
SMA 50	42.42
SMA 100	37.46
SMA 200	39.64

Crude Oil Daily Graph



Source: Meta Trader

Fundamentals

- Oil’s rise above \$50 a barrel today for the first time in six months is a landmark for the market, but analysts appear to have no better idea as to how long this year’s crude rally might last.
- West Texas Intermediate, the U.S. benchmark, was hovering just below \$50 at \$49.90 a barrel. The return of \$50 oil is the latest development in a market that has confounded investors, producers and traders since a selloff caused by a global oversupply of crude began in 2014.
- Prices had fallen below \$30 a barrel at the beginning of this year—a level not seen since early last decade—before mounting a recovery. Many analysts cite strong demand from major emerging countries such as China and India, coupled with supply constraints on many main producers in the Middle East, as a reason to remain bullish on oil.
- However, those in the “bear” camp reckon there is still plenty of global supply that could potentially come on line, with a number of U.S. producers of shale oil ready to step up production as prices rise. The return of thousands of barrels of crude onto global markets from Iran is also helping keep oil plentiful.
- In recent weeks, supply disruptions from Nigeria to Canada to Libya took enough oil off the market to launch oil prices back above \$50. In the lead-up to those outages, waning North American output helped drain a massive overhang in U.S. stockpiles, which have eased from 80-year highs reached weeks ago.
- Some analysts expect prices to creep higher this year. The summer driving season is on the horizon in the U.S. and other advanced economies, a period that normally drives up consumption of oil products, chiefly gasoline. Elsewhere, low prices have already helped fuel a big rise in demand. In China, oil imports have risen 12% this year, government data show.

US Commodity Futures Trading Commission (CFTC) Data

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

Source: CFTC

Silver

Technical

The silver markets bounced slightly during the course of the session on Wednesday, using the \$16.20 level as support. This was an area where I had previously suggested that we could see buyers, and it looks as if that's actually what's happening. On a break above the top of the range for the day we will more than likely grind our way higher, but it's going to be difficult. A break above the \$16.60 level should send this market even higher. I have no interest in selling this market, as we should continue to see the \$16 level offer a bit of a "floor" in this market. The trend is now bearish below the May 23 high of \$16.43, and the trend is bearish below this high given that it is a lower high in relation to the previous high of \$16.63 formed on May 20. In a downtrend similar to the current, the norm is for price to drift lower, creating lower highs and lower lows, according to classical technical analysis.

Pivot:	16.42		
Support	16.13	15.95	15.80
Resistance	16.65	16.76	16.90

Highlights

- Silver has been in a robust run-up year to date, rising more than 20% since the beginning of the year
- Silver is benefiting from strong demand and weak supply
- According to Fed Funds futures, the likelihood of a June 15 rate hike is now at 32 percent, from being near 4 percent
- Silver prices drifted lower yesterday evening and reached a low of \$16.14
- A near term resistance level is yesterday's high of \$16.29

Silver - Technical Indicators

RSI 14	63.14
SMA 20	17.30
SMA 50	16.24
SMA 100	15.47
SMA 200	15.12

Silver Daily Graph



Fundamentals

- The price of silver went wild during all of April, but has been tamed considerably during the month of May, giving back more than half of those gains. The multi-week decline is bringing silver back to a key point.
- The area surrounding 16 is an important one as it has held clear influence on the price of silver dating back to September of last year. The risk of a meaningful bounce is increasing as it enters this critical area, but the view at this time is any bounce which should unfold will not likely be sustained.
- Market positioning in the futures market, just as it is in gold, is highly unfavorable for a price advance until net positioning normalizes. An unwinding of this extreme situation is set to put a damper on precious metals for the foreseeable future.
- The gap between silver and gold is widening and as the primary track between the performance of these two metals, the gold-silver spread has fallen drastically. A falling ratio is an indication that gold is becoming cheaper relative to silver. This ratio has significantly rebounded after touching the level of 72.
- The gold-silver spread, or ratio, was trading at 76.3 on May 23, 2016. This means it takes about 76 ounces of silver to buy a single ounce of gold. The ratio stood at 73 at the beginning of May.
- The leveraged funds that have jumped due to gains in gold and silver include the Direxion Daily Gold Miners ETF (NUGT) and the Proshares Ultra Silver ETF (AGQ).
- The price of the iShares Silver Trust exchange-traded fund (ETF) (NYSE Arca: SLV), a proxy for the silver price per ounce, is currently \$16. A few weeks ago, it was approaching \$18, so the markets are seeing a slide. Even with the changing market, there are several factors pushing up silver prices in 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	
23- Feb-16	42,097	29,999	58%	56,157	75,843	43%	23,121	15,533	60%	132,501
01- Mar-16	42,083	27,402	61%	54,280	79,052	41%	24,963	14,872	63%	132,475
08- Mar-16	41,285	23,950	63%	53,875	79,404	40%	23,378	15,184	61%	131,294
15- Mar-16	41,287	24,798	62%	58,869	83,678	41%	21,523	13,203	62%	136,158
22- Mar-16	41,334	26,466	62%	60,600	84,551	42%	21,666	13,583	61%	139,468

Source: CFTC

Commodity News

Thursday, May 26, 2016



Data Calendar

Economic Data

Date	Time	Event	Importance	Actual	Forecast	Previous
Thu May 26	13:30	GBP BBA Loans for House Purchase (APR)	medium	40104	44700	43854
Thu May 26	13:30	GBP Gross Domestic Product (QoQ) (1Q P)	medium	0.4%	0.4%	0.4%
Thu May 26	13:30	GBP Gross Domestic Product (YoY) (1Q P)	high	2.0%	2.1%	2.1%
Thu May 26	13:30	GBP Index of Services (3Mo3M) (MAR)	low	0.6%	0.6%	0.8%
Thu May 26	15:10	USD Fed's James Bullard Speaks at Monetary Forum in Singapore	medium			
Thu May 26	17:30	USD Initial Jobless Claims (MAY 21)	medium	268K	275K	278K
Thu May 26	17:30	USD Continuing Claims (MAY 14)	medium	2163K	2142K	2152K
Thu May 26	17:30	USD Durable Goods Orders (APR P)	high	3.4%	0.5%	1.3%
Thu May 26	19:00	USD Pending Home Sales (YoY) (APR)	medium		0.2%	2.9%

Source: Forex Factory, DailyFX

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