# Commodity News

Friday, May 27, 2016

## Gold

### Technical

Gold futures are trading slightly higher shortly before the cash market opening. Earlier in the session, the market traded down to $1213.80, its lowest level since April 1, before reversing to the upside. If it can hold on to its gains, it will produce a potentially bullish closing price reversal on the daily chart. This could trigger the start of a 2 to 3 short-covering rally. Technically, the main trend is down according to the daily swing chart. The nearest support on this chart is the April 1 main bottom at $1211.80. This is followed by a long-term 50% level at $1178.70. If a new short-term range forms between $1292.40 and $1213.80 then its 50% level or pivot at $1253.10 becomes the new primary upside target. the direction of the market today is likely to be determined by trader reaction.

| | | | |
|---|---|---|---|
| Pivot: | 1,222 | | |
| Support | 1,211 | 1,207 | 1,202 |
| Resistance | 1,227 | 1,234 | 1,242 |

### Gold Daily Graph


*Source: Meta Trader*

### 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 |

### Fundamentals

- Gold edged higher yesterday 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

| | Large Speculators | | | Commercial | | | Small Speculators | | | Open |
|---|---|---|---|---|---|---|---|---|---|---|
| Date | Long | Short | Bullish | Long | Short | Bullish | Long | Short | Bullish | Interest |
| 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 market initially trying to break above the $50 level, but we turn right back around to form a bit of a shooting star. The shooting star of course is a negative sign, but quite frankly I can see quite a bit of support below at the $48 level. With this being the case, it looks as if there is quite a bit of support at that level, but also all the way down to the $46 handle. With this, I think it's only a matter of time before buyers come back into this marketplace on signs of supportive action. On the other hand, we could break above the top of the shooting star, and on a daily close above that we would be more than willing to start buying this market as we have been in such a strong uptrend. Pullbacks will continue to offer value, which of course is something that traders will like to take advantage of as well. The market should continue to go higher.

| | | | |
|---|---|---|---|
| Pivot: | 49.04 | | |
| Support | 48.90 | 48.20 | 47.65 |
| Resistance | 50.23 | 50.60 | 51.14 |

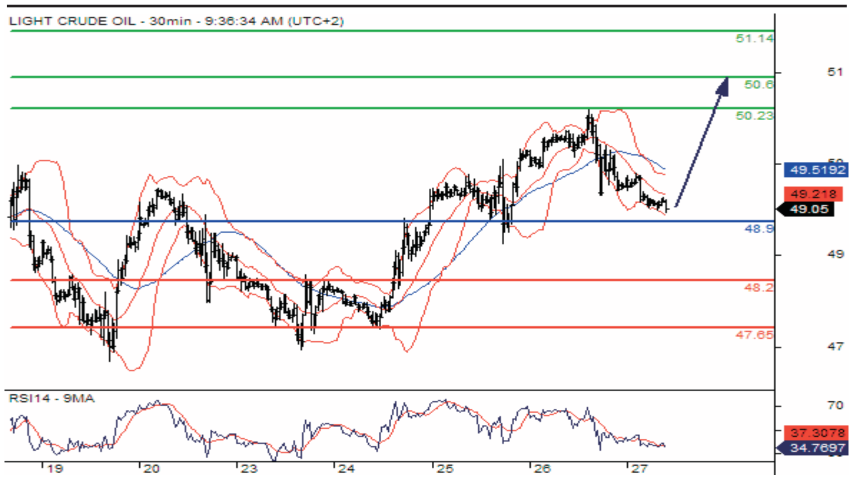
### Highlights

- 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

| | Large Speculators | | | Commercial | | | Small Speculators | | | Open |
|---|---|---|---|---|---|---|---|---|---|---|
| Date | Long | Short | Bullish | Long | Short | Bullish | Long | Short | Bullish | Interest |
| 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*

# Commodity News

Friday, May 27, 2016

## Silver

### Technical

The silver markets as you can see rally during the day on Thursday, using the $16.20 level as a bit of support. Because of this, the look of this market is very positive, although we did see a little bit of resistance above. If we can break above the $16.60 level, that would be a very bullish sign as well. However, at this point in time we would expect a little bit of short-term volatility but quite frankly pullbacks will more than likely end up being buying opportunities in a market that has had a significant pullback, but is in a longer-term uptrend anyway. 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: | 16.29 | | |
| Support | 16.09 | 15.95 | 15.80 |
| Resistance | 16.36 | 16.48 | 16.56 |

### 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


*Source: Meta Trader*

### 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

| | Large Speculators | | | Commercial | | | Small Speculators | | | Open |
|---|---|---|---|---|---|---|---|---|---|---|
| Date | Long | Short | Bullish | Long | Short | Bullish | Long | Short | Bullish | Interest |
| 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*

## Data Calendar

### Economic Data

| Date | Time | Event | Importance | Actual | Forecast | Previous |
|---|---|---|---|---|---|---|
| Fri May 28 | 04:05 | GBP GfK Consumer Confidence Survey (MAY) | medium | -1 | -4 | -3 |
| Fri May 28 | 04:30 | JPY National Consumer Price Index (YoY) (APR) | high | -0.3% | -0.4% | -0.1% |
| Fri May 28 | 06:30 | CNY Industrial Profits (YoY) (APR) | medium | 4.2% | | 11.1% |
| Fri May 28 | 17:30 | USD Gross Domestic Product (Annualized) (1Q S) | high | | 0.9% | 0.5% |
| Fri May 28 | 17:30 | USD Personal Consumption (1Q S) | medium | | 2.1% | 1.9% |
| Fri May 28 | 17:30 | USD Gross Domestic Product Price Index (1Q S) | medium | | 0.7% | 0.7% |
| Fri May 28 | 19:00 | USD U. of Michigan Confidence (MAY F) | medium | | 95.5 | 95.8 |
| Fri May 28 | 19:30 | USD Fed's Yellen to Speak at Harvard's Radcliffe Day | high | | | |
| Fri May 28 | 22:00 | USD Baker Hughes U.S. Rig Count (MAY 27) | medium | | | 404 |

*Source: Forex Factory, DailyFX*

# 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

| | | | |
|---|---|---|---|
| Laiq Ur Rehman | Tel: (+92-68) 5871653-55 | Cell: 0300-8670967 | laiq.qureshi@igi.com.pk |

### Multan Office

| | | | |
|---|---|---|---|
| Mehtab Ali | Tel: (+92-61) 4512003 | Cell: 0300-6348471 | mahtab.ali@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

**Islamabad Office**
Mezzanine Floor Razia Sharif Plaza,
90-Blue Area G-7, Islamabad
Tel : (+92-51) 2802241-42, 2273439, 2273443
Fax : (+92-51) 2802244

**Faisalabad Office**
Room #: 515-516, 5th Floor, State Life Building, 2- Liaqat Road, Faisalabad
Tel : (+92-41) 2540843-45
Fax : (+92-41) 2540815

**Stock Exchange Office**
Room # 719, 7th Floor, KSE Building
Stock Exchange Road, Karachi
Tel : (+92-21) 32429613-4, 32462651-2
Fax : (+92-21) 32429607