

# Commodity News

Friday, September 23, 2016



## Gold

### Technical

Gold prices traded up to two week highs of 1,341.70 per ounce, adding to Wednesday's post-FOMC gains. The rally has continued as dollar weakness persists. Solid resistance is seen at the 1,345, which coincides with a downward sloping trend line that connects the highs in August to the highs in September. Additional resistance is seen near the September highs near 1,350. Support is seen near the 10-day moving average at 1,323. The Fed has pointed to December as a likely rate hike date, which could generate profit taking. Momentum has turned positive as the MACD (moving average convergence divergence) index generated a buy signal. This occurs as the spread (the 12-day moving average minus the 26-day moving average) crosses above the 9-day moving average of the spread. The index moved from negative to positive territory confirming the buy signal.

|            |       |       |       |
|------------|-------|-------|-------|
| Pivot:     | 1,335 |       |       |
| Support    | 1,330 | 1,325 | 1,319 |
| Resistance | 1,343 | 1,348 | 1,352 |

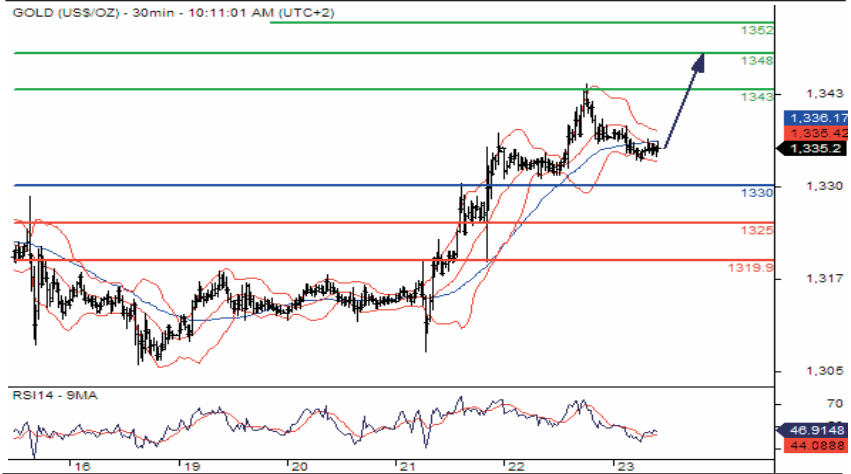
### Highlights

- The precious metal is heading for the biggest weekly advance since July
- U.S. central bankers opted once again to leave interest rates unchanged while reining in their outlook for future increases
- Bullion for immediate delivery traded little changed at \$1,334.94 an ounce after capping a fourth day of gains yesterday
- The metal has climbed 1.9 percent this week, the most since the period to July 29
- The U.S. Dollar Index has lost 0.9 percent this week

### Gold - Technical Indicators

|         |          |
|---------|----------|
| RSI 14  | 54.49    |
| SMA 20  | 1,324.47 |
| SMA 50  | 1,333.83 |
| SMA 100 | 1,315.95 |
| SMA 200 | 1,272.30 |

### Gold Daily Graph



Source: Meta Trader

### Fundamentals

- Gold edged lower today, backing off the two week high struck in the previous session as the dollar stayed firm, but the yellow metal was still on track for its biggest weekly gain in nearly two months.
- Spot gold was slightly down 0.2 percent to \$1,334.71 an ounce, but was set for a weekly gain of nearly 2 percent, the highest since end-July. U.S. gold futures slipped 0.4 percent to \$1,339 an ounce.
- Gold's move could be closely tied to the U.S. Dollar. The market players expect gold to be mostly range-bound for the next few weeks. People will try to push up the prices between now and the next U.S. Federal Reserve meeting. Economists don't think the Fed would act before the presidential elections in November.
- The dollar index held steady at 95.45. A stronger greenback makes dollar-denominated gold more expensive for holders of other currencies. The ongoing strength in the global equity markets and some signs of stabilization in the dollar could both start chipping away at gold's underlying strength.
- Gold could come under pressure quickly if market opinion shifts more decisively in favor of a December rate hike. Also, the long-run expectation is that the Fed will eventually raise rates, which may stem gold gains.
- Gold may stabilise around a support at \$1,335 per ounce, and then retest a resistance at \$1,343, as indicated by its wave pattern and a Fibonacci projection analysis, according to Reuters analysis. Gold's on a roll, courtesy of the Federal Reserve.
- Holdings of SPDR Gold Trust, the world's largest gold-backed exchange-traded fund, rose 0.69 percent to 950.92 tonnes, for a second straight session on Thursday. Gold is headed for a third quarterly gain in what would be the longest rally since 2011.

### US Commodity Futures Trading Commission (CFTC) Data

| Date      | Large Speculators |       |         | Commercial |        |         | Small Speculators |        |         | Open Interest |
|-----------|-------------------|-------|---------|------------|--------|---------|-------------------|--------|---------|---------------|
|           | Long              | Short | Bullish | Long       | Short  | Bullish | Long              | Short  | Bullish |               |
| 5/10/2016 | 337251            | 72353 | 82%     | 120854     | 284003 | 30%     | 49448             | 31277  | 61%     | 384,974       |
| 5/17/2016 | 340748            | 74460 | 82%     | 115571     | 287002 | 29%     | 51148             | 36,819 | 61%     | 450555        |
| 5/24/2016 | 291266            | 84634 | 77%     | 116493     | 311865 | 27%     | 53520             | 32958  | 62%     | 499110        |
| 5/31/2016 | 274589            | 77454 | 77%     | 118610     | 304141 | 28%     | 49810             | 33791  | 60%     | 493086        |
| 6/07/2016 | 295688            | 67069 | 82%     | 127081     | 327075 | 28%     | 51562             | 30399  | 63%     | 510579        |

Source: CFTC

## Crude Oil

### Technical

WTI crude oil prices rallied for a 3rd straight trading session, and poised to test resistance near a downward sloping trend line that connects the highs in August to the highs in September and comes in near 46.70. A break of this level would lead to a test of the September highs at 47.77. Support on crude oil prices is seen near the 10-day moving average at 44.85. A weaker dollar, and Wednesday's larger than expected crude oil inventory draw have helped buoy prices. Momentum has turned positive as the MACD (moving average convergence divergence) index generated a buy signal. This occurs as the spread (the 12-day moving average minus the 26-day moving average) crosses above the 9-day moving average of the spread. The index moved from negative to positive territory confirming the buy signal. The index is printing in the black with an upward sloping trajectory which points to higher prices.

|            |       |       |       |
|------------|-------|-------|-------|
| Pivot:     | 45.73 |       |       |
| Support    | 45.50 | 45.10 | 44.70 |
| Resistance | 46.53 | 47.00 | 47.70 |

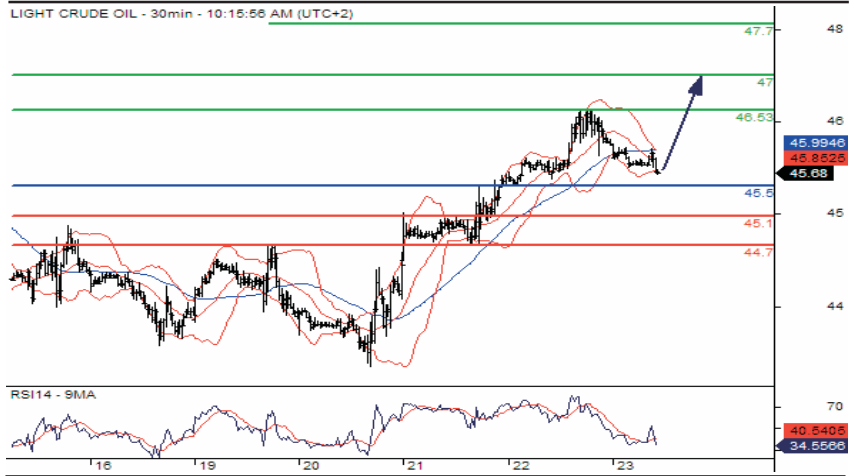
### Highlights

- Oil pared gains after OPEC members Saudi Arabia and Iran held a second day of talks in Vienna
- Crude dropped as much as 1.6 percent after rising 2.2 percent yesterday
- Prices are unlikely to climb above \$50 unless the group reduces production
- The crude oil advanced 98 cents to \$46.32 in yesterday's trading session, the highest close in two weeks
- Total volume traded was about 34 percent below the 100-day average. Prices are up 6 percent this week

### Crude - Technical Indicators

|         |       |
|---------|-------|
| RSI 14  | 53.84 |
| SMA 20  | 44.86 |
| SMA 50  | 44.61 |
| SMA 100 | 46.16 |
| SMA 200 | 42.47 |

### Crude Oil Daily Graph



Source: Meta Trader

### Fundamentals

- Oil prices fell today in Asian trading session in a sell-off following two sessions of strong rises and on caution ahead of a gathering of OPEC ministers next week in Algeria to discuss possible production cooperation to rein in global oversupply.
- U.S West Texas Intermediate (WTI) crude oil futures CLc1 were trading at \$45.55 per barrel, down 77 cents, or 1.66 percent, from their previous close. Still, the benchmark is on track to close the week higher.
- While investors said that the declines were largely down to technical indicators and selling pressure following strong price gains in the previous two trading sessions, there are also looming supply additions from Nigeria and Libya that could help cap prices in the near term.
- The U.S. Energy Information Administration (EIA) on Wednesday reported a 6.2 million-barrel drop in crude oil inventories last week to 504.6 million barrels. Forecasters in a Reuters poll had expected a 3.4 million-barrel build.
- This week, export plans for Nigeria's Forcados crude oil emerged for the first time since a pipeline attack in February shut down the stream, while Libya exported its first cargo from the port of Ras Lanuf since 2014.
- Both are adding to OPEC's record production PRODN-TOTAL of 33.5 million barrels, and to global production that has exceeded consumption almost without interruption since mid-2014. Discussions between Saudi Arabia and Iran this week suggest they are keen to get something done.
- OPEC could see a new push to clinch a first deal to curb output since 2008 next week when group members meet informally in Algeria next week. Although most market observers say an agreement to freeze output levels is unlikely, analysts said that some form of cooperation among exporters, which could at least prevent production from ballooning further, was possible.

### US Commodity Futures Trading Commission (CFTC) Data

| Date      | Large Speculators |         |         | Commercial |         |         | Small Speculators |        |         | Open Interest |
|-----------|-------------------|---------|---------|------------|---------|---------|-------------------|--------|---------|---------------|
|           | Long              | Short   | Bullish | Long       | Short   | Bullish | Long              | Short  | Bullish |               |
| 5/10/2016 | 458,206           | 105,441 | 81%     | 560,983    | 925,531 | 38%     | 82,700            | 70,917 | 54%     | 1,598,935     |
| 5/17/2016 | 462,028           | 106,739 | 81%     | 557,217    | 927,085 | 38%     | 85,279            | 70,700 | 55%     | 1,615,844     |
| 5/24/2016 | 454,829           | 123,816 | 79%     | 571,328    | 916,651 | 38%     | 87,594            | 73,282 | 54%     | 1,619,796     |
| 5/31/2016 | 463,186           | 135,835 | 77%     | 560,029    | 897,400 | 38%     | 87,590            | 77,633 | 53%     | 1,623,027     |
| 6/07/2016 | 473,506           | 133,457 | 78%     | 558,910    | 898,363 | 38%     | 79,121            | 79,717 | 50%     | 1,613,293     |

Source: CFTC

## Silver

### Technical

Silver markets initially fell during the course of the session on Thursday, but turn right back around to form a fairly positive candle. Because of this, we tested the \$20 level, but if we can break above the top of the range during the course of the Thursday session, I believe that the market will then reach towards the \$20.50 level. Ultimately, this is a market that should continue much higher given enough time, especially considering that we have such a low interest rate environment. I have no interest in selling, and I believe that there is more than enough support below to turn the market positive after a pullback. The 3%+ rally pushed silver up against the top-side trend-line running back to the July spike high. This makes establishing a fresh long at this juncture a risky prospect in our view. A break above trend resistance would likely prove to be a significant bullish event.

|            |       |       |       |
|------------|-------|-------|-------|
| Pivot:     | 19.78 |       |       |
| Support    | 19.67 | 19.49 | 19.32 |
| Resistance | 20.06 | 20.22 | 20.45 |

### Highlights

- A weaker dollar and expectations of low interest rates boosted silver prices
- Silver was unable to break the \$20 level but corrections were held to the \$19.80
- The U.S Dollar remained firmly on the defensive yesterday
- Commodity currencies were also stronger, although the dollar did strengthen slightly against the Yen
- US labour-market data showed a decline in jobless claims to 252,000 in the latest week from 260,000 previously

### Silver - Technical Indicators

|         |       |
|---------|-------|
| RSI 14  | 60.18 |
| SMA 20  | 19.27 |
| SMA 50  | 19.48 |
| SMA 100 | 18.88 |
| SMA 200 | 17.35 |

### Silver Daily Graph



Source: Meta Trader

### Fundamentals

- Silver prices advanced for the third time in four days, as the US dollar continued to weaken following the Federal Reserve's decision to keep interest rates unchanged.
- Silver for December settlement rose 19 cents, or 1%, to a fresh two-week high of \$19.96 a troy ounce. The grey metal was trading at the upper end of its daily range of 19.79 and \$19.96. As of yesterday, grey metal is tracking for a weekly gain of nearly 6%.
- The US dollar tumbled for a second consecutive day against a basket of currencies, as investors readjusted their positions following the Federal Reserve's decision to stand pat on monetary policy. The dollar index declined 0.5% to 95.23.
- The dollar recouped some of its losses against the Japanese yen, but fell versus the euro, Swiss franc and Canadian loonie. A weaker dollar makes greenback-denominated commodities, such as gold and silver, more affordable to foreign buyers.
- Despite the recent advances, analysts are skeptical whether precious metals can continue higher in the short term. Gold and silver are still a problem within the broader context of rising interest rates, and are likely to face renewed selling pressure as the Federal Reserve moves closer on a rate hike.
- Three Federal Open Market Committee (FOMC) members voted in favour of a rate rise on Wednesday. The Fed's official Fed statement also acknowledged that the case for tighter policy had "strengthened." Thirty-day Fed Fund futures rates imply a nearly 59% chance of a December lift-off.
- US labour-market data remained robust with a decline in jobless claims to 252,000 in the latest week from 260,000 previously, although the existing home sales data was weaker than expected with a decline of 5.33mn.

### US Commodity Futures Trading Commission (CFTC) Data

| Date      | Large Speculators |        |         | Commercial |        |         | Small Speculators |        |         | Open Interest |
|-----------|-------------------|--------|---------|------------|--------|---------|-------------------|--------|---------|---------------|
|           | Long              | Short  | Bullish | Long       | Short  | Bullish | Long              | Short  | Bullish |               |
| 5/10/2016 | 42,097            | 29,999 | 58%     | 56,157     | 75,843 | 43%     | 23,121            | 15,533 | 60%     | 132,501       |
| 5/17/2016 | 42,083            | 27,402 | 61%     | 54,280     | 79,052 | 41%     | 24,963            | 14,872 | 63%     | 132,475       |
| 5/24/2016 | 41,285            | 23,950 | 63%     | 53,875     | 79,404 | 40%     | 23,378            | 15,184 | 61%     | 131,294       |
| 5/31/2016 | 41,287            | 24,798 | 62%     | 58,869     | 83,678 | 41%     | 21,523            | 13,203 | 62%     | 136,158       |
| 6/07/2016 | 41,334            | 26,466 | 62%     | 60,600     | 84,551 | 42%     | 21,666            | 13,583 | 61%     | 139,468       |

Source: CFTC

# Commodity News

Friday, September 23, 2016



## Data Calendar

### Economic Data

| Date       | Time  | Event  | Importance | Actual | Forecast | Previous |
|------------|-------|--|------------|--------|----------|----------|
| Fri Sep 23 | 09:30 | JPY All Industry Activity Index (MoM) (JUL)                    | Medium     | 0.3%   | 0.2%     | 1.0%     |
| Fri Sep 23 | 11:45 | EUR French Gross Domestic Product (YoY) (2Q)                   | Medium     | 1.3%   | 1.4%     | 1.4%     |
| Fri Sep 23 | 12:30 | EUR Markit/BME Germany Manufacturing PMI (SEP)                 | Medium     | 54.3   | 53.1     | 53.6     |
| Fri Sep 23 | 13:00 | EUR Markit Eurozone Manufacturing PMI (SEP P)                  | Medium     | 52.6   | 51.5     | 51.7     |
| Fri Sep 23 | 17:30 | CAD Retail Sales (MoM) (JUL)                                   | Medium     |        | 0.2%     | -0.1%    |
| Fri Sep 23 | 17:30 | CAD Consumer Price Index (YoY) (AUG)                           | High       |        | 1.4%     | 1.3%     |
| Fri Sep 23 | 18:45 | USD Markit US Manufacturing PMI (SEP)                          | Medium     |        | 52       | 52       |
| Fri Sep 23 | 21:00 | USD Fed's Harker, Mester, Lockhart on Panel at Philly Fed Conf | Medium     |        |          |          |
| Fri Sep 23 | 22:00 | USD Baker Hughes U.S. Rig Count (SEP 23)                       | Medium     |        |          | 506      |

Source: Forex Factory, DailyFX

**Disclaimer:** This document has been prepared by IGI Finex Securities Limited and is for information purposes only. Whilst every effort has been made to ensure that all the information (including any recommendations or opinions expressed) contained in this document (the information) is not misleading or unreliable, IGI Finex Securities Limited makes no representation as to the accuracy or completeness of the information. Neither IGI Finex Securities Limited nor any director, officer or employee of IGI Finex Securities Limited shall in any manner be liable or responsible for any loss that may be occasioned as consequence of a party relying on the information. This document takes no account of the investment objectives, financial situation and particular needs of investors, who shall seek further professional advice before making any investment decision. This document and the information may not be reproduced, distributed or published by any recipient for any purpose.

## Contact Details

### IGI Commodity Team

|                    |                                   |                    |                           |                            |
|--------------------|-----------------------------------|--------------------|---------------------------|----------------------------|
| Zaeem Haider Khan  | (Head of Commodity)               | Cell: 0321-4772883 | Tel: (+92-42) 35777863-70 | zaeem.haider@igi.com.pk    |
| Syed Zeeshan Kazmi | (Assistant Manager)               | Cell: 0321-4499228 | Tel: (+92-42) 35777863-70 | zeeshan.kazmi@igi.com.pk   |
| Ehsan Ull Haq      | (Commodity Trader - Lahore)       | Cell: 0321-4861015 | Tel: (+92-42) 35777863-70 | ehsan.haq@igi.com.pk       |
| Muhammad Naveed    | (Branch Manager - Islamabad)      | Cell: 0345-5599900 | Tel: (+92-51) 2604861-62  | muhammad.naveed@igi.com.pk |
| Gul Hussain        | (Branch Manager - Faisalabad)     | Cell: 0344-7770878 | Tel: (+92-41) 2540843-45  | gul.hussain@igi.com.pk     |
| Asif Saleem        | (Branch Manager - Rahim Yar Khan) | Cell: 0334-7358050 | Tel: (+92-68) 5871652-56  | asif.saleem@igi.com.pk     |
| Mehtab Ali         | (Branch Manager - Multan)         | Cell: 0300-6348471 | Tel: (+92-61) 4512003     | mahtab.ali@igi.com.pk      |
| Zeeshan Kayani     | (Branch Manager - Abbottabad)     | Cell: 0333-5061009 | Tel: (+92-992) 408243-44  | zeeshan.kayani@igi.com.pk  |

### IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of  
Pakistan 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-FC.C Ground Floor, Syed Maratib Ali Road,  
Gulberg II, Lahore.  
Tel :(+92-42) 95777863-70, 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  
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

#### Rahim Yar Khan Office

Plot #: 12, Basement of Khalid Market,  
Model Town, Town Hall Road,  
Rahim Yar Khan  
Tel: (+92-68) 5871652-6  
Fax: (+92-68) 5871651

#### Multan Office

Mezzanine Floor, Abdali Tower,  
Abdali Road, Multan  
Tel: (+92-992) 408243-44

#### Abbottabad Office

Ground Floor, Al Fatah Shopping Center,  
Opp. Radio Station, Mandehra Road,  
Abbottabad  
Tel: (+92-99) 2408243-44