

Commodity News

Friday, October 05, 2018



Gold

Technical

Gold prices continue to trade sideways, and appear to be support ahead of today's payroll report. A stronger than expected payroll gain or accelerating wage inflation, will likely lift the dollar and pave the way for lower gold prices. Data released earlier in the week saw the private payrolls increase by a stronger than expected 230K jobs, which has priced in the highest 2-year yield seen in the US since 2008. The 10-year yield spiked on Thursday hitting a high of 3.19%, which is also helping the yield differential move in favor of the dollar. Investors took profits in their dollar positions as rates rise ahead of the payroll report. Jobless claims were lower than expected dropping to 40+ year lows and signaling that the unemployment rate will likely dip lower. Gold prices consolidated yesterday ahead of today's payroll report. Short term support is seen near the 10-day moving average at 1,195.

Pivot:	1,198		
Support	1,195	1,189	1,185
Resistance	1,202	1,205	1,211

Source: FX EMPIRE

Highlights

- Gold prices were steady as investors remained cautious after U.S Treasury yields hit multi-year peaks
- Strong U.S economic data recently is driving U.S bond and note prices lower
- Gold is steady around \$1,200 levels, which shows that the market is trying to put a floor on price
- Gold has fallen more than 12 percent since hitting a peak in April, pressured largely by the stronger dollar
- A beefier greenback can make assets priced in dollars, like gold

Gold - Technical Indicators

RSI 14	45.44
SMA 20	1,267.2
SMA 50	1,252.1
SMA 100	1,256.3
SMA 200	1,277.8

Source: FX EMPIRE

Gold Daily Graph



Source: Meta Trader

Fundamentals

- Gold prices held steady early today as investors remained cautious after U.S Treasury yields hit multi-year peaks and ahead of monthly employment data, which if stronger could boost the Federal Reserve's case for a tighter monetary policy.
- Spot gold was flat at \$1,199.20 an ounce. Spot gold was on track to gain 0.6 percent for the week, which would mark its biggest weekly gain since the week of Aug. 24. U.S gold futures rose 0.1 percent to \$1,202.90 an ounce.
- The U.S Treasuries market's two-day selloff pushed its volatility to its highest level since June as investors shed their bond holdings on surprisingly strong economic data and signals the Fed would raise interest rates further.
- Higher interest rates tend to boost the dollar and push bond yields up, putting pressure on gold prices by increasing the opportunity cost of holding non-yielding bullion.
- The dollar index against a basket of six major currencies was little changed at 95.765, after climbing to a six-week peak of 96.121 in the previous session. The number of Americans filing for unemployment benefits fell to a near 49-year low last week, pointing to sustained labor market strength, which should continue to underpin economic growth.
- The dollar stood tall against its major peers, including the yen and euro, as investors evaluated the impact of a two-day global government bond rout that has lifted U.S Treasury yields to seven-year highs.
- Another U.S benchmark interest rate expected before the end of this year is underpinning current U.S dollar strength, which in turn is keeping the U.S dollar gold price subdued.

US Commodity Futures Trading Commission (CFTC) Data

Date	Large Speculators			Commercial			Small Speculators			Open Interest
	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	
12/27/2016	337251	72353	82%	120854	284003	30%	49448	31277	61%	384,974
01/03/2017	340748	74460	82%	115571	287002	29%	51148	36,819	61%	450555
01/10/2017	291266	84634	77%	116493	311865	27%	53520	32958	62%	499110
01/17/2017	274589	77454	77%	118610	304141	28%	49810	33791	60%	493086
01/24/2017	295688	67069	82%	127081	327075	28%	51562	30399	63%	510579

Source: CFTC

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Crude Oil

Technical

Based on the early price action, the direction of the November WTI crude oil market today is likely to be determined by investor reaction to the pivot at \$75.60. U.S West Texas Intermediate crude oil futures are trading slightly lower and in an extremely tight range on low volume. The market became a little trickier to trade on Wednesday with the news that Russia and Saudi Arabia had agreed to increase production in September in the hopes of stabilizing prices. Furthermore, investors are also beginning to worry about demand now that Brent has breached the \$80.00 level. Complicating matters is the strong U.S Dollar which is making dollar-denominated crude oil very expensive for emerging market countries. The main trend is in no position to turn down, but due to the prolonged move up in terms of price and time, it is in a position to form a closing price reversal top.

Pivot:	74.84		
Support	73.90	73.35	72.95
Resistance	75.40	75.95	76.45

Source: FX EMPIRE

Highlights

- Oil futures settled lower yesterday, with the U.S benchmark suffering its largest one-day percentage decline since mid-August
- U.S sanctions will start targeting Iran's crude exports from November 4
- Increase came despite the largest weekly U.S crude inventory build in more than 18 months
- China and Turkey may be willing to risk U.S retaliation by transacting with Iran
- The investment bank said there was currently enough oil to meet demand

Crude - Technical Indicators

RSI 14	55.83
SMA 20	48.93
SMA 50	46.53
SMA 100	47.26
SMA 200	51.85

Source: FX EMPIRE

Crude Oil Daily Graph



Source: Meta Trader

Fundamentals

- Oil prices rose today as investors anticipated a tighter market due to U.S sanctions against Iran's crude exports, which are set to start next month. Financial investors have accumulated bullish long positions betting on a further rise in prices amounting to almost 1.2 billion barrels of oil.
- International benchmark Brent crude oil futures were at \$84.98 per barrel, up 40 cents, or 0.5 percent from their last close. U.S West Texas Intermediate crude futures were up 47 cents, or 0.6 percent, at \$74.80 a barrel.
- The gains helped claw back some of the losses from the previous session due to rising U.S inventories and after Saudi Arabia and Russia said they would raise output to at least partly make up for expected disruptions from Iran.
- Brent front-month prices are up 6 percent over the last week as it becomes increasingly apparent that Iranian exports could fall below 1 million barrels per day in November.
- U.S sanctions will start targeting Iran's crude exports from November 4, and Washington is putting pressure on governments and companies globally to fall in line.
- Uncertainty over whether major oil producers would be able to make up for the loss of Iranian exports to U.S sanctions that kick in next month were among the factors driving prices higher Wednesday, when WTI topped \$76 and Brent climbed above \$86.
- Fundamental dynamics have shifted in favor of the bears this week with a huge build in commercial crude oil stocks and news that Saudi Arabia and Russia made a private agreement weeks ago to increase output to help offset the declining exports from Iran.

US Commodity Futures Trading Commission (CFTC) Data

Date	Large Speculators			Commercial			Small Speculators			Open Interest
	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	
12/27/2016	458,206	105,441	81%	560,983	925,531	38%	82,700	70,917	54%	1,598,935
01/03/2017	462,028	106,739	81%	557,217	927,085	38%	85,279	70,700	55%	1,615,844
01/10/2017	454,829	123,816	79%	571,328	916,651	38%	87,594	73,282	54%	1,619,796
01/17/2017	463,186	135,835	77%	560,029	897,400	38%	87,590	77,633	53%	1,623,027
01/24/2017	473,506	133,457	78%	558,910	898,363	38%	79,121	79,717	50%	1,613,293

Source: CFTC

Silver

Technical

Silver markets continue to be very choppy but have shown a proclivity to the upside over the last couple of weeks. Economists think at this point with the jobs number coming out on Friday, it's likely that the Silver markets are going to cause a lot of headaches for investors. Quite frankly, the \$15 level above is going to offer significant resistance, and if it can break above that level then it can start to talk about a longer-term move. The \$14 level underneath has proven itself to be massive support yet again, as it has been tested a couple of times on longer-term charts. However, the \$15 level is going to be easy to get above. The jobs number will of course affect the US dollar, and that should continue to be one of the main focuses for investors overall. The prudent investors will use the CFD market as opposed to the futures market, because each tick is worth \$25.

Pivot:	14.58		
Support	14.42	14.34	14.18
Resistance	14.70	14.80	14.91

Source: FX EMPIRE

Highlights

- Spot silver prices traded up 0.8 percent and marked high at \$14.70
- The U.S dollar index firmer and hitting a six-week high, amid rising U.S government bond yields that are attracting more foreign investors
- The recent strength of the U.S dollar index continues to limit the upside in the metals
- Strong U.S economic data recently is driving U.S bond and note prices lower
- December Comex silver was last down \$0.08 at \$14.59 an ounce

Silver - Technical Indicators

RSI 14	19.80
SMA 20	17.27
SMA 50	16.72
SMA 100	16.85
SMA 200	16.87

Source: FX EMPIRE

Silver Daily Graph



Source: Meta Trader

Fundamentals

- Silver prices traded in red following some profit booking at higher levels as investors will eye the outcome of US nonfarm payroll data later today. Silver futures tilted higher in Asian trade, while the dollar index barely gained ground away from July 9 lows, ahead of US labor, trade data today.
- Silver futures due in December rose 0.14% to \$14.61 an ounce, while the dollar index added 0.07% to 95.82 away from three-month lows. The fall in silver prices at futures trade was mostly attributed to profit-booking by speculators at prevailing levels and weak global cues.
- Investors await the all important US payrolls report, with the unemployment rate expected to fall to 3.8% from 3.9%, while payrolls are estimated to have increased 185 thousand, down from 201 thousand in August. Other world government bond markets are also seeing their yields rise, in sympathy to the U.S. This is yet another clue that creeping price inflation could become problematic down the road.
- The US trade deficit is estimated at \$53.4 billion, up from \$50.1 billion in July, while Federal Reserve Bank of Atlanta President Raphael Bostic is due to speak at the Financial Literacy and Economic Education Conference, in Atlanta.
- Globally, silver traded 0.03 per cent lower at USD 14.64 an ounce in Singapore after precious metals held steady early Friday as investors remained cautious after US Treasury yields hit multi-year peaks and ahead of monthly employment data, which if stronger could boost Federal Reserve's case for a tighter monetary policy.
- World stock markets are being pressured late this week by rising world government bond yields and continued strong-greenback pressure on the secondary currency markets. U.S Treasury yields saw the benchmark 10-year note yield rise to a seven-year high above 3.20% 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	
12/05/2017	42,097	29,999	58%	56,157	75,843	43%	23,121	15,533	60%	132,501
12/12/2017	42,083	27,402	61%	54,280	79,052	41%	24,963	14,872	63%	132,475
12/19/2017	41,285	23,950	63%	53,875	79,404	40%	23,378	15,184	61%	131,294
12/29/2017	41,287	24,798	62%	58,869	83,678	41%	21,523	13,203	62%	136,158
01/02/2018	41,334	26,466	62%	60,600	84,551	42%	21,666	13,583	61%	139,468

Source: CFTC

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Friday, October 05, 2018



Data Calendar

Economic Data

Date	Time	Event	Importance	Actual	Forecast	Previous
Fri Oct 05	17:30	CAD Unemployment Rate (SEP)	High		5.9%	6.0%
Fri Oct 05	17:30	CAD Net Change in Employment (SEP)	High		30.0k	-51.6k
Fri Oct 05	17:30	CAD Full Time Employment Change (SEP)	Medium		15	40.4
Fri Oct 05	17:30	USD Trade Balance (AUG)	Medium		-\$53.0b	-\$50.1b
Fri Oct 05	17:30	USD Change in Non-farm Payrolls (SEP)	High		185k	201k
Fri Oct 05	17:30	USD Unemployment Rate (SEP)	High		3.8%	3.9%
Fri Oct 05	17:30	USD Average Hourly Earnings (YoY) (SEP)	Medium		2.8%	2.9%
Fri Oct 05	17:30	USD Average Weekly Hours All Employees (SEP)	Medium		34.5	34.5
Fri Oct 05	22:00	USD Baker Hughes U.S. Rig Count (OCT 5)	Medium			

Source: Forex Factory, DailyFX

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