

Commodity News

Friday, October 19, 2018



Gold

Technical

Gold markets rallied, breaking towards the \$1225 level recently, but since then it has gone sideways. This is a very bullish sign though, because it shows us that the market is comfortable hanging onto the gains from the move last week. It shows real resiliency and eventually it will try to go to the \$1250 level. Once it break above that level, the market should continue to go much higher. Otherwise, it could get a pullback that there is enough support underneath the continue to attract money if it do fall. The market is trying to turn around and form some type of large bays, as gold has been sold off so drastically. The alternate scenario would be breaking down below the \$1175 level, which would be very negative and could unwind the gold market even further. If that's the case, the market probably rolls down to the \$1100 level, and then possibly the \$1000 level after that.

Pivot:	1,223		
Support	1,223	1,221	1,218
Resistance	1,237	1,233	1,230

Source: FX EMPIRE

Highlights

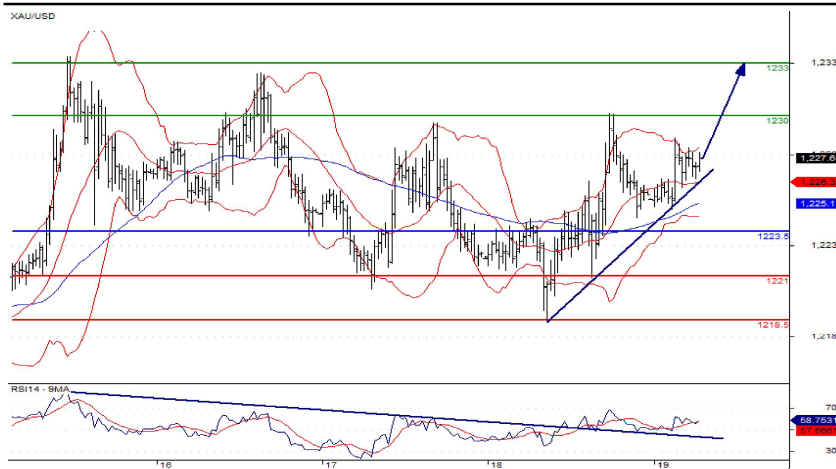
- Gold rose as renewed weakness in global stock markets spurred investors to seek refuge in bullion
- Gold is in a stronger position now than before as it is forecasting gold to end the year around \$1,240 per ounce
- Spot gold may retest a support at \$1,217 per ounce, a break below which could cause a loss to the next support at \$1,208
- The overall mix should be supportive of the gold price
- Given equity weakness, gold looks increasingly attractive as a defensive hedge

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 nudged higher today as Asian shares fell on renewed political and economic concerns including China's weak growth, with the metal on track for a third straight weekly gain.
- China's economy grew 6.5 percent in the third quarter from a year earlier, its weakest pace since the global financial crisis, and missed expectations as a years-long campaign to tackle debt risks and the trade war with the United States began to bite.
- Spot gold was up 0.2 percent at \$1,227.41 per ounce, and about 0.8 percent higher for the week. U.S gold futures were up 0.1 percent at \$1,230.9 an ounce. Geopolitical and macroeconomic factors are still not indicating exuberance and risk appetite returning to markets with full throttle.
- With Chinese equity markets continuing to drift lower, and lingering geopolitical risks such as Fed interest rate hikes, Italian budget concerns and the U.S-China trade war, stock markets are still shaky and in no way have stabilised.
- The recent sell-off in global stock markets has boosted the appeal for gold, which is seen as a safe store of value during political and economic uncertainty, driving prices to a 2-1/2-month peak of \$1,233.26 on Monday.
- However, the yellow metal has declined about 10 percent from its April peak after investors preferred the dollar as the U.S-China trade war unfolded against a background of higher U.S interest rates.
- A rise above the 100-day moving average, around \$1,226, was also supporting gold, with some analysts saying a clear break above that level could trigger further gains and put further pressure on short-sellers.

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

Crude Oil

Technical

The WTI Crude Oil market has rallied significantly during the trading session yesterday after initially falling down to the 61.8% Fibonacci retracement level, or the \$68.60 level. Overall, if it is trying to form a bit of a hammer on the daily chart, which of course is a very bullish sign. If that's the case, then it will see a break above the \$70 handle. On that move, investors will come back into the marketplace and try to pick up crude oil based upon it being cheap. Brent markets also fell during the trading session but found support at the 50% Fibonacci retracement level, that is obviously a very bullish sign and the buyers are willing to get involved. If it can break above the \$80 handle, the market might go to the \$81 level, and then possibly the \$82.50 level. The tensions are frowned Saudi Arabia and the Iranian sanctions will eventually bring buyers back into the fold.

Pivot:	68.50		
Support	68.50	68.20	67.80
Resistance	70.30	69.60	69.20

Source: FX EMPIRE

Highlights

- Oil futures fell sharply yesterday to tally a drop of more than 4% in two sessions, as a fourth straight weekly climb in U.S crude inventories
- The rise in inventories continues a recent trend that is signaling that supply is not an issue
- A fall in crude exports led to an increase in net imports, boosting inventories despite a fall in production
- China's crude oil throughput in September hit a record high on a daily basis
- The market therefore risks seeing supply tighten until year's end, so a Brent price below \$80 is justified

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 nudged higher on signs of surging demand in China, the world's second-biggest oil user, though prices are set to fall for a second week amid concerns of the ongoing Sino-U.S trade war is limiting overall economic activity.
- Brent crude oil futures were trading at \$79.51 per barrel, up 22 cents, or 0.3 percent, from their last close. U.S West Texas Intermediate crude futures were up 19 cents, or 0.3 percent, at \$68.84 a barrel.
- Brent crude was 1.1 percent lower while WTI futures were down 3.5 percent, putting both on track for a second consecutive weekly decline. The weak economic data raised concerns that the country's trade war with United States is beginning to have an impact on growth, which may limit China's oil demand.
- Refinery throughput in China, the world's second-largest oil importer, rose to a record high of 12.49 million barrels per day (bpd) in September as some independent plants restarted operations after prolonged shutdowns over summer to shore up inventories.
- U.S crude stocks last week climbed 6.5 million barrels, the fourth straight weekly build, almost triple the amount analysts had forecast, the U.S Energy Information Administration said on Wednesday.
- Inventories rose sharply even as U.S crude production slipped 300,000 bpd to 10.9 million bpd last week due to the effects of offshore facilities closing temporarily for Hurricane Michael.
- Meanwhile, Iranian oil exports may have increased in October when compared to the previous month as buyers rush to lift more cargoes ahead of looming U.S sanctions that kick in on Nov. 4.

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

The Silver markets continue to find resistance at the \$15 level, while they will also find significant support at the \$14 level. Ultimately, this market continues to go back and forth but silver is trying to form a bit of a base. At this point, if it can break above the \$15 level, then it can go much higher, perhaps breaking towards \$15.50 next, and then the \$16 level after that. However, if it break down below the \$14 level that would be very negative for the silver market, and probably continue the downtrend that it has seen most of the year. In that scenario, the market probably goes down to the \$12 level underneath which has been historically important. Remember, J.P. Morgan and several other large banks have a massive short position in the paper market to keep silver down. However, it can also pay attention to the US dollar and see what it is doing as a barometer of where it should go.

Pivot:	14.51		
Support	14.51	14.43	14.33
Resistance	14.78	14.72	14.66

Source: FX EMPIRE

Highlights

- Silver was down 0.2% at \$14.59 per ounce, having earlier touched its lowest since Oct. 11 at \$14.41
- The dollar index rose to a one-week high after the minutes from the last Fed meeting
- U.S equities could witness more downside as overhyped expectations of earnings are being corrected
- Continuing claims for the week ending October 6 are expected to have risen by 6 thousand to 1.668 million
- The CB leading index is estimated with a 0.5% increase, up from 0.4% in August

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 futures tilted higher in Asian trade away from October 11 lows, while the dollar index barely climbed off September 27 lows, following earlier data from China, the world's largest metals consumer, and the US. Silver prices traded lower on account of lacklustre demand for precious metals from jewelers, industries, investors and retailers.
- Silver futures due in December rose 0.28% to \$14.64 an ounce, while the dollar index added 0.06% to 95.96, marking October 9 highs. The Fed forecast another rate hike this year, and three more next year, and another in 2020, as the economy blisters ahead.
- The International Monetary Fund cut its forecasts for global growth for this year and the next for the first time in two years, with US and Chinese economies the most important downgrades alongside the euro zone due to rising trade protectionism.
- Earlier Chinese data showed the seasonally adjusted reading for third-quarter GDP growth down to 1.6% as expected from 1.8%, and also down to 6.5% y/y from 6.7%, the slowest such pace since the financial crisis.
- The unemployment rate fell to 4.9% from 5% in August, while retail sales rose 9.2% y/y, as industrial production slowed down to 5.8% from 6%. Now investors await US housing data, with existing home sales expected with a 0.9% drop to 5.29 million units, compared to no change in August.
- The Federal Reserve recently released the minutes of its September 25-26 meeting, at which the Federal Open Market Committee voted to increase interest rates by 25 basis points for the third time this year to just below 2.25% as expected, while carrying on plans to normalize the balance sheet.

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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Data Calendar

Economic Data

Date	Time	Event	Importance	Actual	Forecast	Previous
Fri Oct 19	07:00	CNY Gross Domestic Product (YoY) (3Q)	High	6.5%	6.6%	6.7%
Fri Oct 19	07:00	CNY Retail Sales (YoY) (SEP)	Medium	9.2%	9.0%	9.0%
Fri Oct 19	07:00	CNY Industrial Production (YoY) (SEP)	Medium	5.8%	6.0%	6.1%
Fri Oct 19	13:30	GBP Public Sector Net Borrowing (SEP)	Medium	3.259b	4.6b	4.75b
Fri Oct 19	17:30	CAD Retail Sales (MoM) (AUG)	Medium		0.4%	0.3%
Fri Oct 19	17:30	CAD Consumer Price Index (YoY) (SEP)	High		2.7%	2.8%
Fri Oct 19	19:00	USD Existing Home Sales (MoM) (SEP)	Medium		-0.9%	0.0%
Fri Oct 19	20:30	GBP BOE Governor Carney Speaks in New York	High			
Fri Oct 19	22:00	USD Baker Hughes U.S. Rig Count (OCT 19)	Medium			1063

Source: Forex Factory, DailyFX

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