

Commodity News

Monday, January 28, 2019



Gold

Technical

Gold prices soared on Friday as the U.S Dollar plunged as investors prepared for this week's U.S Federal Reserve report on Wednesday, January 30. The Fed is widely expected to leave rates unchanged. However, this wasn't the story exerting the most influence on prices. According to a report from The Wall Street Journal, the Fed is expected to discuss bringing an end to its balance sheet reduction program. This would, in effect, loosen Fed policy, which would make the U.S Dollar a less-attractive investment. A lower dollar would then make dollar-denominated gold a more attractive asset. The uptrend was reaffirmed when investors took out the last main bottom at \$1300.40. The new swing bottom is \$1275.30. A trade through this bottom will change the main trend to down.

Pivot:	1,299		
Support	1,299	1,296	1,293
Resistance	1,314	1,311	1,307

Source: FX EMPIRE

Highlights

- Gold has jumped over one per cent to a more than a seven-month high on Friday
- The US dollar fell off a three-week high reached in the previous session as investors focused on the Fed meeting next week
- Risks from economic and political perspectives, are keeping gold relatively well supported
- The major catalyst supporting gold is a big drop in the dollar
- Gold tends to appreciate on expectations of lower interest rates, which reduce the opportunity cost of holding non-yielding bullion

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 slipped today as a deal to reopen the U.S government dented safe-haven demand, but prices hovered above the key \$1,300-level on hopes the U.S Federal Reserve will keep interest rates unchanged this week.
- Spot gold had fallen 0.1 percent to \$1,301.37 per ounce, while U.S gold futures climbed 0.2 percent to \$1,300.61 per ounce. Asian stocks advanced today as Wall Street rallied after a deal was announced to reopen the U.S government following a prolonged shutdown that had shaken investor sentiment.
- The shutdown had added to the worries of investors who were already concerned over slowing global growth, signs of stress in corporate earnings and a still unresolved Sino-U.S trade war.
- Focus is shifting to the Fed's policy meeting this week, when the U.S central bank is expected to leave interest rates unchanged. The Federal Open Market Committee meeting is scheduled for Jan. 29-30.
- The Fed raised interest rates four times last year and has signalled it will probably lift borrowing costs twice in 2019, though some central bank officials have said they will be patient in raising rates.
- Spot gold rose 1.8 percent on Friday, its best one-day percentage gain since Oct. 11, to its highest since June 14, 2018. The metal also broke above the psychological level of \$1,300 level after failing multiple times due to strong technical resistance.
- Investors are also worried about the impact of the longest US government shutdown in history, with two bills to end the partial shutdown failing to win enough votes in the Senate.

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

Based on Friday's price action and the close at \$53.69, the direction of the March WTI crude oil futures contract is likely to be determined by investors reaction to the short-term pivot at \$52.49. U.S West Intermediate crude oil futures closed higher on Friday, but the short-covering rally wasn't strong enough to turn the market higher for the week. The catalyst behind the move was worries about a possible supply disruption due to economic and political turmoil in Venezuela. The move was muted when investors determined that there was no immediate threat of sanctions against the country by the United States. The main trend is up according to the daily swing chart. A trade through \$54.32 will signal a resumption of the uptrend with the next target the December 4 main top at \$54.98. A trade through \$50.66 will change the main trend to down. The minor trend is also up.

Pivot:	53.45		
Support	52.45	52.10	51.80
Resistance	54.15	53.80	53.45

Source: FX EMPIRE

Highlights

- Crude oil prices fell today after US energy firms added rigs for the first time this year in a sign that crude production there will rise further
- High supply and an economic slowdown are weighing on the oil price outlook
- Oil is never a predictable affair, however, and there are many situations that could cause prices to spike
- A boom in US shale production has helped slash crude prices over the past four years
- Prices would rise as refineries would have to buy their share of oil from more expensive sources

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 fell after U.S energy firms added rigs for the first time this year in a sign that crude production there may rise further, and as China, the world's second-largest oil user, reported additional signs of an economic slowdown.
- U.S crude oil futures were at \$53.43 per barrel, down 26 cents, or 0.5 percent, from their last settlement. International Brent crude oil futures were at \$61.50 a barrel, down 14 cents, or 0.2 percent.
- High U.S crude oil production, which rose to a record 11.9 million barrels per day late last year, has been weighing on oil markets. In a sign that output could rise further, U.S energy firms last week raised the number of rigs looking for new oil for the first time in 2019 to 862, an additional 10 rigs.
- Oil consumption has been increasing steadily, likely averaging above 100 million bpd for the first time ever in 2019, driven largely by a boom in China. However, an economic slowdown amid a trade dispute between Washington and Beijing is weighing on fuel demand-growth expectations.
- It is expected that U.S crude oil prices to range between \$50-\$60 per barrel in 2019 and about \$10 more per barrel for Brent, Tortoise Capital Advisors said in its 2019 oil market outlook.
- However, Tortoise added that oil prices would be supported above \$50 per barrel as it was very clear that Saudi Arabia will no longer be willing to accept these lower oil prices.
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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 pulled back initially during the trading week, testing the 20 EMA. The \$15 level underneath is the “floor” in the market, and then it is going to go looking towards the \$16 level. At this point, the \$16 level above is going to be significant, so if it can break above there the market will then go to the \$16.50 level, perhaps even the \$17 level after that. This is a market that certainly seems to be very bullish and it certainly looks as if there have been a lot of buyers underneath. The US dollar will give a major signal as to where the Silver markets will go. At this chart it can draw a bit of a correlation between it and the EUR/USD pair, which is probably the easiest way to track the value of the dollar outside of the US Dollar Index. If the US dollar continues to selloff, that will be reason enough for Silver to test \$16, and then reached towards my longer-term target of \$17.

Pivot:	15.69		
Support	15.69	15.62	15.55
Resistance	16.04	15.98	15.87

Source: FX EMPIRE

Highlights

- Silver prices rose 2.3 percent to \$US15.66 per ounce
- The Fed raised interest rates four times last year and has signalled it will probably lift borrowing costs twice in 2019
- Investor sentiment toward silver is the most negative across the precious metals complex
- Silver has underperformed the precious metals group so far this year
- The strength is expected in silver to resume in the near term

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 rose nearly one percent in Asian trade to January 10 highs, while the dollar index backed off January 15 highs, as markets await the Fed's meeting and the UK Parliament's Brexit vote this week.
- Silver futures due in March rose 0.71% to \$15.81 an ounce to three-week highs, while the dollar index shed 0.08% to 95.71, plumbing two-week lows. Investors also await the second round of talks between US and China, the largest trade partner for New Zealand, scheduled for January 30-31.
- ECB President Mario Draghi is scheduled to testify about the economy and monetary policy before the European Parliament Economic and Monetary Affairs Committee, in Brussels, while Bank of England Governor Mark Carney will participate in a question and answer session, along with other MPC members, about the future of money at the Bank of England's Future Forum, in London.
- The Federal Reserve is scheduled to meet on January 29-30 for its policy meeting, with analysts expecting no change in interest rates between 2.25% and 2.50% after four hikes last year.
- Otherwise, US President Donald Trump asked Congress to come up with a new bill to reopen the federal government until mid-February, ending the longest government shutdown in US history.
- Silver futures due in March rose 2.6% to \$15.699 an ounce, marking a 2% weekly profit. The shutdown had added to the worries of investors who were already concerned over slowing global growth, signs of stress in corporate earnings and a still unresolved Sino-U.S trade war.

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
Mon Jan 28	06:30	CNY Industrial Profits (YoY) (DEC)	Medium	-1.9%		-1.8%
Mon Jan 28	14:00	EUR Euro-Zone M3 Money Supply (YoY) (DEC)	Low	4.1%	3.8%	3.7%
Mon Jan 28	14:00	CHF Total Sight Deposits CHF (JAN 25)	Low	576.7b		576.3b
Mon Jan 28	19:00	EUR ECB's Draghi Speaks in European Parliament in Brussels	High			
Mon Jan 28	19:30	GBP BOE's Carney, Broadbent, Ramsden and Place speak at event	High			
Mon Jan 28	20:30	USD Dallas Fed Manufacturing Activity (JAN)	Low		-2.7	-5.1
Mon Jan 28	21:30	USD U.S. to Sell USD39 Bln 6-Month Bills	Low			
Mon Jan 28	21:30	USD U.S. to Sell USD40 Bln 2-Year Notes	Low			
Mon Jan 28	23:00	USD U.S. to Sell USD42 Bln 3-Month Bills	Low			

Source: Forex Factory, DailyFX

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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	(Deputy 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
Irfan Ali	(Regional Manager - Faisalabad)	Cell: 0300-7660778	Tel: (+92-41) 2540843-45	irfan.ali@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

G-009, Ground Floor, Packages Mall,
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 # 134, 3rd 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