

Commodity News

Thursday, December 20, 2018



Gold

Technical

Gold markets continue to rally significantly during the trading session yesterday, breaking above resistance again, perhaps in a bit of a “front running” to the Federal Reserve softening its stance. While an interest rate hike is already expected, the reality is investors will be paying more attention to the statement afterwards, perhaps trying to parse whether or not the Federal Reserve is going to continue to raise interest rates at the same clip that they had previously suggested. Ultimately, it comes down to where it close for the session, and if it is above the \$1255 level, gold should become more bullish and it should continue to go much higher. Overall, the markets will continue to favor gold overall, because not only do it have the idea of the Federal Reserve stepping away, it also has the possibility of gold being used as a safe haven.

Pivot:	1,247		
Support	1,241	1,239	1,236
Resistance	1,254	1,251	1,247

Source: FX EMPIRE

Highlights

- Gold eased slightly but stayed near a more than five-month peak scaled earlier in the day
- U.S gold futures declined 0.7 percent to \$1,247.7 per ounce today
- Gold is highly sensitive to rising interest rates, which lift the opportunity cost of holding non-yielding bullion
- From a technical point of view, the trend remains bullish
- Gold has risen nearly 8 percent from 19-month lows hit in mid-August and is on track for its best quarter since March 2017

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 steadied today, after shedding half a percent in the previous session as the U.S Federal Reserve delivered a less-dovish outlook on monetary tightening than many had expected.
- In a widely anticipated decision, the U.S central bank hiked interest rates by 25 basis points. But what took markets by surprise was the Fed’s commitment to retain the core of its plan to tighten monetary policy, despite rising uncertainty about global economic growth.
- Spot gold rose 0.1 percent to \$1,244.56 per ounce, after declining the most since Nov. 27 in the previous session. Prices crossed the 200-day moving average around \$1,252 an ounce before the Fed’s statement.
- The Fed was not exactly clear on what they will do. They did say they would increase interest rates, but would be more patient in doing so. The rate hike announcement has put pressure on gold.
- Gold seems vulnerable for the remainder of the year, although the absence of fresh fodder driving the Fed outlook narrative will probably keep trend progression modest.
- Many investors had bought gold in advance of the Fed decision as a hedge in case they surprised the market by holding steady. Also, the more-dovish lean in the policy statement didn’t go far enough to completely please speculators.
- Higher rates tend to dull the appeal of precious metals, compared against assets that offer a yield. Moreover, an indication that U.S rate setters will tap the brakes as it attempts to normalize policy may weaken the dollar and provide runway for dollar-pegged gold.

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 rallied a bit during the trading session yesterday, but it still have a major barrier in the form of \$50 just above. Beyond that, there is plenty of resistance extending all the way to the \$55 level. The longer-term fundamental situation is horrible right now, and if the global economy is starting to struggle, it looks very likely that the crude oil markets will suffer. Brent markets also rallied a bit but there is a significant amount of resistance between here and the \$64 level, so it's only a matter time before the sellers come back. If it do break above the \$64 level, or for that matter the \$55 level in the WTI grade, then it could see markets rally significantly. However, it seems very unlikely to happen in the short term, so fading the rally will continue to work through the end of the year.

Pivot:	46.90		
Support	46.90	46.10	45.50
Resistance	48.40	47.90	47.50

Source: FX EMPIRE

Highlights

- U.S oil production last year soared past an output record of 10 million bpd set in 1970
- Brent crude averaging about \$70 a barrel in 2019, it currently trades at \$58 a barrel
- If production expands at the rate that the EIA has forecast, it will effectively eat up OPEC's cuts by the end of 2019
- Russian oil output has been running at a record 11.42 million bpd so far this month
- Heating oil futures gained nearly 3 percent to settle at \$1.8054 a gallon

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, recovering somewhat from a sharp selloff during the previous session, after U.S data showed strong demand for refined products. U.S oil production in the most recent week was 11.6 million bpd a day.
- Brent crude futures rose 98 cents to settle at \$57.24 a barrel, a 1.74 percent gain. The front-month U.S light crude contract CLF9, which expires yesterday, gained 96 cents to settle at \$47.20 a barrel, a 2.08 percent gain. The second-month contract CLG9 settled at \$48.17 a barrel.
- Crude inventories fell by 497,000 barrels in the week to Dec. 14, smaller than the decrease of 2.4 million barrels analysts had expected. The decline was the third consecutive decrease, the U.S EIA said.
- Distillate stockpiles, which include diesel and heating oil, fell by 4.2 million barrels, versus expectations of a 573,000-barrel increase, the EIA said. Distillate demand rose to the highest since January 2003, which bolstered buying, particularly in heating oil futures, the market's proxy for diesel.
- The markets slumped on Tuesday, extending recent declines. Global benchmark Brent tumbled to a session low of \$55.89 a barrel, a bottom last reached in October 2017. WTI sank to \$45.79, the weakest since August 2017.
- Oil prices pared gains following the decision as the U.S dollar index trimmed losses. A stronger dollar makes greenback-denominated commodities more expensive for holders of other currencies.
- The Organization of the Petroleum Exporting Countries and other oil producers including Russia agreed this month to curb output by 1.2 million barrels per day (bpd) in an attempt to drain tanks and boost prices.

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 rallied towards the \$15 level early during the day yesterday, reaching towards significant resistance in the process. At this point, the market breaking above there, and more importantly staying above there on a daily close, could be a buying scenario all the way to at least the \$16 level. Ultimately, the market has been consolidating for quite some time, waiting to figure out what the Fed is going to do next. However, it will probably see Silver drop back down towards the \$14.50 level, perhaps even down to the \$14.00 level. If it break out the \$16.00 level will offer significant resistance, but it probably even grind our way towards the \$17 level higher. If it turn around to break down below the \$14.00 level, then the market probably drops down to the \$12.00 level as well. Expect a lot of noise and choppiness, but it has a clear buy signal if it can break above it.

Pivot:	14.67		
Support	14.47	14.40	14.33
Resistance	14.78	14.72	14.67

Source: FX EMPIRE

Highlights

- Silver prices traded in red, the US Federal Reserve raised its key interest rate for the fourth time this year
- The latest economic data has also impact on silver prices
- The renewed optimism for silver comes as prices look to end the year down more than 13%
- The U.S dollar index lower on a further corrective pullback after hitting a nearly two-year high last week
- March Comex silver was up \$0.024 at \$14.725 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 futures tilted lower in Asian trade off November 2 highs for the second straight session, while the dollar index slipped from June 2017 highs for the third session out of five, ahead of US industrial and labor data later today.
- Silver futures due in March fell 0.27% to \$14.64 an ounce off seven-week highs, while the dollar index shed 0.09% to 96.90 off 1-1/5 year highs. Silver, the U.S dollar and U.S Treasuries have been supported recently by the wobbly and volatile U.S stock market.
- Now investors await US data on the Philly manufacturing index, expected with an increase to 15.6 from 12.9 last month, while unemployment claims for the week ending December 15 are estimated with a 13 thousand increase to 219 thousand.
- The Federal Open Market Committee voted to hike interest rates at the December 18-19 meeting by 25 basis points for the fourth time this year to below 2.50% as expected by analysts, while carrying on the process of reselling government bonds and mortgage securities by a \$50 billion a month pace.
- At the post-meeting press conference, Fed Chair Jerome Powell warned that risks are increasing as the global economy slows down and the stock markets get rattled, however the outlook of the FOMC hasn't changed yet, expecting continued growth and solid 2% inflation in the foreseeable future.
- European stock markets were mostly firmer overnight, while Asian shares were mostly weaker. U.S stock indexes are pointed toward higher openings when the New York day session begins, on a rebound after the indexes fell to new low closes for the year on Tuesday.

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
Tues Dec 18	05:30	AUD Unemployment Rate (NOV)	High	5.1%	5.0%	5.0%
Tues Dec 18	07:52	JPY BOJ 10-Yr Yield Target (DEC 20)	High	0.00%		0.00%
Tues Dec 18	14:30	GBP Retail Sales Ex Auto Fuel (YoY) (NOV)	Medium	3.8%	2.3%	2.8%
Tues Dec 18	17:00	GBP Bank of England Bank Rate (DEC 20)	High		0.75%	0.75%
Tues Dec 18	17:00	GBP BOE Asset Purchase Target (DEC)	High		435b	435b
Tues Dec 18	18:30	USD Philadelphia Fed Business Outlook (DEC)	Medium		15.5	12.9
Tues Dec 18	18:30	USD Initial Jobless Claims (DEC 15)	Medium		219k	206k
Tues Dec 18	18:30	USD Continuing Claims (DEC 8)	Medium		1665k	1661k
Tues Dec 18	20:00	USD Leading Index (NOV)	Medium		0.1%	0.1%

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