

# Commodity Outlook

Monday, January 11, 2016



## Gold

### Technical

The gold markets rallied significantly during the course of the week, breaking above the \$1100 level for the first time in 2 months. With this being the case, the market looks as if it is trying to form some type of bottom and go higher, but ultimately we need to see this market break above the top of the range for the week in order to start buying for a longer-term move. We believe that the 1180 level above is significant resistance, so that might be the totality of the move. That would continue the overall downward channel that we have seen for quite some time.

Pivot:	1,105		
Support	1,096	1,091	1,086
Resistance	1,110	1,114	1,123

### Recommendation

Buy positions above 1096 with targets at 1110 and 1114 in extension

### Highlights

- Gold edged higher, trading close to last session's nine-week high as pressure on Asian stock markets supported safe-haven bids for the metal
- Gold climbed to its highest since early November on Friday
- China will face great difficulty in achieving economic growth above 6.5 percent over the 2016-2020 period
- Investment appetite for bullion showed signs of picking up last week
- SPDR Gold Shares, rose 4.2 tonnes in Thursday trading session

### Gold - Technical Indicators

RSI 14	62.15
SMA 20	1,077.36
SMA 50	1,075.84
SMA 100	1,108.78
SMA 200	1,134.05

### Gold Daily Graph



Source: Meta Trader, IGI Research

### Fundamentals

- Gold gave back some of this morning gains to trade at 1099.60 up \$.170 as markets remain stressed over China but hold tight. Gold price elevated above 1100 once more, in reserve to the rest of commodities. The safe haven asset gathers considerable buying interests amid current risk rout in Asia, thus will likely retain this level.
- Gold holdings by exchange-traded funds increased 0.8 percent during the week ended January 8, according to Bloomberg. Gold price bounced back near the top of last week's rally at 1113 although a break of this resistance is uncertain.
- 5-day moving average continues to provide an immediate support level on the downside at 1097.3. China's economy is slumping. US companies, struggling to pay their debts as interest rates rise, must keep producing.
- All the excess is crushing prices, hurting commodity-dependent economies across emerging markets like Brazil and Venezuela and developed countries like Australia and Canada.
- The geopolitical and financial consequences of this shift have shaken investor confidence. Concerns over global growth intensified in recent days, when weakness in China prompted a stock sell-off around the world. The commodities hangover, the dark side of a decade's long boom, could last for a while.
- Investment appetite for bullion showed signs of picking up last week. Holdings of the world's largest gold-backed exchange-traded fund, New York-listed SPDR Gold Shares, rose 4.2 tonnes on Thursday, data from the fund showed.
- Bullion is often seen as an alternative investment during times of financial uncertainty, although safe-haven rallies tend to be short-lived. Gold slid 10 percent last year on fears higher U.S. rates would lower demand for the non-interest-paying asset.

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

Date	Large Speculators			Commercial			Small Speculators			Open Interest
	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	
08- Dec-15	135,390	108,051	56%	188,511	215,209	47%	36,847	37,668	49%	384,974
15- Dec-15	137,182	104,959	57%	182,101	215,122	46%	37,617	36,819	51%	379,550
22- Dec-15	139,124	100,357	58%	179,334	221,218	45%	38,246	35,249	52%	383,201
29- Dec-15	145,857	101,844	59%	199,650	244,905	45%	37,217	35,975	51%	415,426
05- Jan-16	146,018	99,435	59%	200,101	246,192	45%	36,635	37,127	50%	410,959

Source: CFTC, IGI Research

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## Crude Oil

### Technical

The light sweet crude market fell rather significantly during the course of the week again, slicing through the \$30 level. With this being the case, the market should eventually reach down towards the \$30 handle. We believe that given enough time that this market will find support, but it is nowhere near doing it right now. We have a strengthening US dollar, and a massive amount of oversupply on a daily basis when it comes to crude oil. It is going to take a long time before the buyers will come back into this market and push prices higher.

Pivot:	32.32		
Support	32.08	31.00	30.00
Resistance	34.35	35.10	35.70

### Recommendation

Sell positions below 34.35 with targets at 32.08 and 31 in extension

### Highlights

- Oil prices fell for a sixth session to trade at almost 12-year lows as slowing growth in China rattled investors' hopes for demand
- Speculators increased their net-short positions to a record high in the last week
- Morgan Stanley said on Monday that oil prices in the \$20s were possible
- Today's decline adds to last week's more than 10 percent drop in both Brent and WTI prices.
- Soaring global production sees hundreds of thousands of barrels of crude produced every day without a buyer.

### Crude - Technical Indicators

RSI 14	29.34
SMA 20	35.63
SMA 50	38.15
SMA 100	42.70
SMA 200	47.19

### Crude Oil Daily Graph



Source: Meta Trader, IGI Research

### Fundamentals

- Crude Oil continued to decline today giving up 47 cents to 32.69 while Brent Oil fell 49 cents to 33.44 as both products are now at multiyear lows. Investors were betting on a further fall in Brent crude prices with some analysts foreseeing a price of around \$30 per barrel.
- This is largely as the market is already over supplied with crude and fresh arrivals from Iran may add to further downward pressure. US oil prices fell over 2% on Monday as China's economic slowdown dented the outlook for demand and traders are placing record bets on even lower prices as they increasingly lose faith in a significant market recovery.
- Prices are continuing to feel pressure from record-high supplies, and Chinese economic concerns added to dismal outlooks for global oil demand in the coming months. The drop came despite growing turmoil in the Middle East, where tensions between Saudi Arabia (Sunni) and Iran (Shiite) are rising.
- The two Islamic nations cut diplomatic ties after the Saudis executed a Shiite religious leader, which incited Iranian protesters to attack the Saudi embassy in Iran. Deepening the gulf between the two nations, Iran claimed Thursday that Saudi Arabia intentionally bombed the Iranian embassy in neighboring Yemen.
- The two nations are effectively fighting a proxy war in Yemen between the Sunni-led Yemeni government and Shiite Houthi rebels. Under normal conditions, the fear of war between the Middle East's two largest producers would cause an explosion in oil prices, but last week's news barely garnered a small rally.
- Goldman Sachs analysts, who have also said oil could hit \$20 a barrel, said in a note on Friday that sustained lower prices were needed in the first quarter "so producers will move budgets down to reflect \$40 a barrel oil for 2016." Oil prices have fallen over 70 percent since the downturn began in mid-2014.

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Date	Large Speculators			Commercial			Small Speculators			Open Interest
	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	
08- Dec-15	458,206	105,441	81%	560,983	925,531	38%	82,700	70,917	54%	1,598,935
15- Dec-15	462,028	106,739	81%	557,217	927,085	38%	85,279	70,700	55%	1,615,844
22- Dec-15	454,829	123,816	79%	571,328	916,651	38%	87,594	73,282	54%	1,619,796
29- Dec-15	463,186	135,835	77%	560,029	897,400	38%	87,590	77,633	53%	1,623,027
05- Jan-16	473,506	133,457	78%	558,910	898,363	38%	79,121	79,717	50%	1,613,293

Source: CFTC, IGI Research

# Commodity Outlook

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## Silver

### Technical

Silver markets tried to rally during the course of the week but found far too much resistance near the \$14.50 level. With this being the case, the market looks as if it is going to continue to sell off every time we try to rally, but it is more or less a short-term trader's type of situation. We have no interest whatsoever in buying this market at this point, because the buyers simply cannot hang onto their positions for any real length of time. We believe ultimately this market will break down below the bottom and reach towards the \$12 handle.

Pivot:	14.00		
Support	13.90	13.80	13.68
Resistance	14.09	14.19	14.39

### Recommendation

Buy positions above 13.9 with targets at 14.09 and 14.19 in extension

### Highlights

- Silver futures for March delivery dropped 42.6 cents, or 2.97%, on Friday to settle at \$13.91 a troy ounce
- On the week, silver futures inched up 10.3 cents, or 0.83%
- The U.S. economy added 292,000 jobs last month after increasing an upwardly revised 252,000 in November
- The unemployment rate held steady at a seven-and-a-half year low of 5% in December
- The U.S. dollar index was last at 98.45, up 0.16% for the day

### Silver - Technical Indicators

RSI 14	48.71
SMA 20	14.07
SMA 50	14.13
SMA 100	14.75
SMA 200	15.23

### Silver Daily Graph



Source: Meta Trader, IGI Research

### Fundamentals

- Silver futures for March delivery dropped 42.6 cents, or 2.97%, on Friday to settle at \$13.91 a troy ounce. On the week, silver futures inched up 10.3 cents, or 0.83%.
- Elsewhere in metals trading, copper for March delivery dipped 0.6 cents, or 0.28%, to settle the week at \$2.022 a pound on Friday after sinking to \$1.990 on Thursday, a level not seen since May 2009.
- For the week, Comex copper prices plunged 5.4 cents, or 5.13%, as a meltdown on China's stock market and a rapid depreciation of the yuan rattled investor sentiment.
- While investors had expected the central bank to allow the yuan to fall further after last year's 4.5% depreciation, the rapid pace of the devaluation has fueled fears that the world's number two economy is growing even more slowly than expected.
- Meanwhile, the U.S. is to release data on retail sales, producer prices and consumer sentiment as market players look for further indications on the strength of the economy and the future path of rate hikes.
- The U.S. dollar index, which measures the greenback's strength against a trade-weighted basket of six major currencies, was last at 98.45, up 0.16% for the day.
- The Labor Department reported that the U.S. economy added 292,000 jobs last month, after increasing an upwardly revised 252,000 in November. Economists had forecast payrolls to rise by 200,000. The unemployment rate held steady at a seven-and-a-half year low of 5% in December. The report bolstered expectations that the Federal Reserve could raise interest rates at a faster pace this year.

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

Date	Large Speculators			Commercial			Small Speculators			Open Interest
	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	
08- Dec-15	42,097	29,999	58%	56,157	75,843	43%	23,121	15,533	60%	132,501
15- Dec-15	42,083	27,402	61%	54,280	79,052	41%	24,963	14,872	63%	132,475
22- Dec-15	41,285	23,950	63%	53,875	79,404	40%	23,378	15,184	61%	131,294
29- Dec-15	41,287	24,798	62%	58,869	83,678	41%	21,523	13,203	62%	136,158
05- Jan-16	41,334	26,466	62%	60,600	84,551	42%	21,666	13,583	61%	139,468

Source: CFTC, IGI Research

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## Data Calendar

### Economic Data

Date	Time	Event	Importance	Actual	Forecast	Previous
Mon Jan 11	02:45	NZD Building Permits (MoM) (NOV)	low	1.8%		5.4%
Mon Jan 11	13:15	CHF Retail Sales (Real) (YoY) (NOV)	medium	-2.1%		-0.8%
Mon Jan 11	14:30	EUR Euro-Zone <del>Sept</del> Investor Confidence (JAN)	low	9.6	11.4	15.7
Mon Jan 11	18:15	CAD Housing Starts (DEC)	medium		200.0k	212.0k
Mon Jan 11	20:00	USD Labor Market Conditions Index Change (DEC)	medium		0.0	0.5
Mon Jan 11	20:30	CAD Business Outlook Future Sales (4Q)	low		12	16
Mon Jan 11	22:40	Fed's Lockhart Speaks on U.S. Economic Outlook in Atlanta	medium			

Source: Forex Factory, IGI Research

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## Contact Details

### IGI Commodity Team

#### Karachi Office

Tel: (+92-21) 35301392      Cell: 0321-4499228      igi.commodity@igi.com.pk

#### Lahore Office

Zaeem Haider Khan      Tel: (+92-42) 35777863-70      Cell: 0321-4772883      zaeem.haider@igi.com.pk  
 Syed Zeeshan Kazmi      Tel: (+92-42) 35777863-70      Cell: 0321-4499228      zeeshan.kazmi@igi.com.pk  
 Ehsan Ull Haq      Tel: (+92-42) 35777863-70      Cell: 0321-4861015      ehsan.haq@igi.com.pk

#### Islamabad Office

Muhammad Naveed      Tel: (92-51) 2604861-62      Cell: 0345-5599900      muhammad.naveed@igi.com.pk

#### Faisalabad Office

Gul Hussain      Tel: (92-41) 2540843-45      Cell: 0344-7770878      gul.hussain@igi.com.pk

#### Rahim Yar Khan Office

Junaid Faisal      Tel: (+92-68) 5871655-56      Cell: 0300-9673704      Junaid.Faisal@igi.com.pk

#### IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of Karachi Stock Exchange Limited and Lahore 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-F.C.C. Ground Floor, Syed Maratib Ali  
 Road, Gulberg II, Lahore  
 Tel : (+92-42) 35777863-70, 35876075-76  
 Fax : (+92-42) 35763542

#### Faisalabad Office

Room #: 515-516, 5th Floor, State Life  
 Building, 2- Liaqat Road, Faisalabad  
 Tel : (+92-41) 2540843-45  
 Fax : (+92-41) 2540815

#### Islamabad Office

Mezzanine Floor Razia Sharif Plaza,  
 90-Blue Area G-7, Islamabad  
 Tel : (+92-51) 2802241-42, 2273439, 2273443  
 Fax : (+92-51) 2802244

#### Stock Exchange Office

Room # 719, 7th Floor, KSE Building  
 Stock Exchange Road, Karachi  
 Tel : (+92-21) 32429613-4, 32462651-2  
 Fax : (+92-21) 32429607