

# Commodity Outlook

Thursday, March 03, 2016



## Gold

### Technical

The gold markets went back and forth during the course of the day as the market continue to see quite a bit of volatility in this market. The triangle suggests that the market is going to go higher, and as a result we are more than likely going to continue to go higher. Ultimately, if we can break above the \$1260 level, that would be a very bullish longer-term buy-and-hold type of signal. On the other hand though, pullback should offer buying opportunities as well. We believe that the \$1200 level below is the "floor" in this market.

Pivot:	1,238		
Support	1,226	1,220	1,211
Resistance	1,249	1,254	1,263

### Recommendation

Buy positions above 1226.00 with targets at 1249.00 and 1254.00 in extension

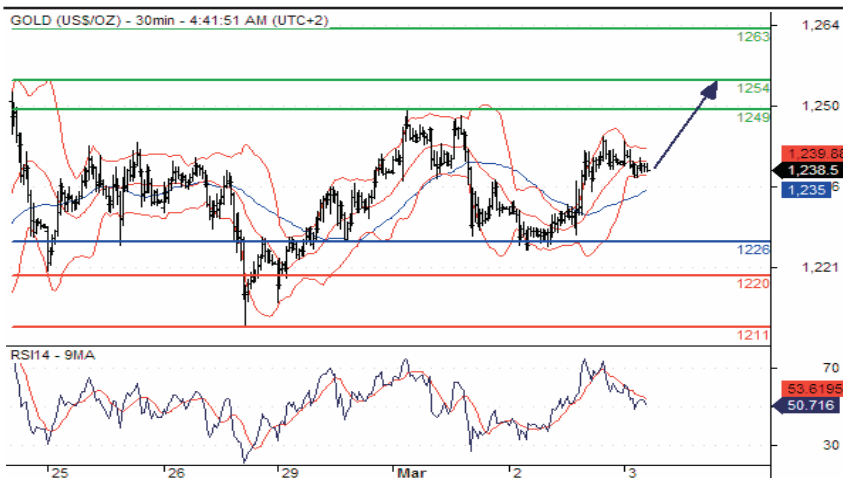
### Highlights

- Gold initially slipped 0.4 percent to \$1,226.56 an ounce, before ending the yesterday's trading session higher
- Data showed US manufacturing appeared to stabilize in February
- Construction spending scaled more than eight-year high in January
- Construction spending rose a better-than-expected 1.5% in January
- This year, gold has gained 16 percent as turmoil in equity markets and concerns over the global economy

### Gold - Technical Indicators

RSI 14	65.38
SMA 20	1,219.57
SMA 50	1,151.63
SMA 100	1,115.93
SMA 200	1,127.47

### Gold Daily Graph



Source: Meta Trader, IGI Research

### Fundamentals

- Gold futures climbed yesterday, marking their highest settlement in three weeks as U.S. stocks struggled to find direction despite better-than-expected figures on private-sector jobs.
- The ADP report is viewed as a precursor to the more closely watched government-employment report due Friday, which could help determine the yellow metal's path.
- April gold, marched \$11, or 0.9% higher to settle at \$1,241.80 an ounce. Prices, which saw a loss of 0.3% a day earlier, logged their best settlement since Feb. 11. U.S. stocks were struggling for direction as of gold's settlement Wednesday. The metal has generally been trading inversely with the equities market.
- In electronic trading following yesterday's settlement, gold edged up further to \$1,243.20 as the Federal Reserve's Beige Book, released after the price settlement, had a more downbeat tone about economic activity through late February.
- Gold has "managed to hold its own pretty well," falling "moderately" on days when stocks and the dollar have risen sharply. It will depend on which direction gold will break out from its recent consolidation range between \$1,200 and \$1,250.
- If U.S. data this week help to increase the likelihood that the Federal Reserve may raise rates in June, then that could be the trigger for a selloff in gold. The U.S. private sector added 214,000 jobs in February, ADP reported yesterday, more than economists had expected.
- Gold is the classic "safe-haven" trade and buying is being driven by fears the global economy - specifically the US economy, against which it is most closely tied is set for a severe slowdown.

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

Date	Large Speculators			Commercial			Small Speculators			Open Interest
	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	
26-Jan-16	135,390	108,051	56%	188,511	215,209	47%	36,847	37,668	49%	384,974
02-Feb-16	137,182	104,959	57%	182,101	215,122	46%	37,617	36,819	51%	379,550
09-Feb-16	139,124	100,357	58%	179,334	221,218	45%	38,246	35,249	52%	383,201
16-Feb-16	145,857	101,844	59%	199,650	244,905	45%	37,217	35,975	51%	415,426
23-Feb-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 WTI Crude Oil market initially rallied during the course of the day on Wednesday, but turned back around to form a bit of a shooting star. We continue to see quite a bit of resistance at the \$35 level, an area that of course has a fairly strong amount of resistance, and of course is a large, round, psychologically significant number. This shooting star signifies that we will continue to consolidate in our opinion. If we break down below the bottom of the range for the day on Wednesday, the market could drop down to the \$32 level, possibly the \$30 level.

Pivot:	34.74		
Support	33.55	33.00	32.30
Resistance	35.18	35.60	36.30

### Recommendation

Buy positions above 33.55 with targets at 35.18 and 35.60 in extension

### Highlights

- Oil prices gyrated sharply yesterday but ultimately ended higher
- Weekly government data showed a big increase in domestic crude stockpiles, with waning space available to store swelling supplies
- The benchmark U.S. crude contract rose 0.8% to settle at \$34.66 a barrel
- Crude prices fell as much as 2% immediately after the release of the data but quickly recovered
- The U.S. Energy Information Administration said U.S. crude stocks grew by 10.4 million barrels last week

### Crude - Technical Indicators

RSI 14	60.79
SMA 20	31.37
SMA 50	31.59
SMA 100	35.90
SMA 200	41.86

### Crude Oil Daily Graph



Source: Meta Trader, IGI Research

### Fundamentals

- Oil prices eased today after ballooning U.S. crude inventories and a lack of any fresh action from the world's largest producer to temper supply snuffed out some of the bullish sentiment that has built this week.
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- U.S. crude inventories rose 10.4 million barrels to a fresh record of 517.98 million barrels last week. Around 1 million to 2 million barrels of crude is being produced globally every day in excess of demand, contributing to a 70 percent fall in oil prices since mid-2014.
- An agreement struck in February by some big producers, led by Russia and Saudi Arabia, to freeze output at January levels is expected to do little to reduce the oversupply, not least because output in the first month of the year was at, or near, record highs.
- Prices have risen since February thanks to slowing U.S. output and signs of financial distress among the higher-cost producers that might signal further supply cuts. U.S. crude output fell for a third month in December, as struggling oil companies succumb to the price rout.
- Seasonally, the second quarter of the year tends to be one of the weakest, as spring refinery maintenance cuts crude demand. Reuters data shows on average over the last 15 years, Brent has gained 4.9 percent in the second quarter, compared with an average gain of nearly 7.5 percent in the third quarter, usually the strongest in terms of price performance.
- Market watchers have said there has been more bullishness spreading through the market. The market has suddenly started to focus on bullish headlines. This has created huge inflows, buying from hedge funds.

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Date	Large Speculators			Commercial			Small Speculators			Open Interest
	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	
26-Jan-16	458,206	105,441	81%	560,983	925,531	38%	82,700	70,917	54%	1,598,935
02-Feb-16	462,028	106,739	81%	557,217	927,085	38%	85,279	70,700	55%	1,615,844
09-Feb-16	454,829	123,816	79%	571,328	916,651	38%	87,594	73,282	54%	1,619,796
16-Feb-16	463,186	135,835	77%	560,029	897,400	38%	87,590	77,633	53%	1,623,027
23-Feb-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 rose during the course of the day on Wednesday, using the 14.80 level as support. By doing so, looks as if the silver market is going to continue to try to go higher, and the market players are buyers as silver is more than likely going to continue to go higher given enough time. The market players have no interest whatsoever in selling this market, because quite frankly the \$14.60 level below looks a bit like a floor at this point in time. Given enough time, the economists would anticipate that silver market could go as high as the \$16 level.

Pivot:	14.92		
Support	14.69	14.58	14.36
Resistance	15.07	15.32	15.55

### Recommendation

Buy positions above 14.92 with targets at 15.07 and 15.32 in extension

### Highlights

- The silver price closed in New York at \$14.84 up 4 cents. Ahead of New York's opening the silver price stood at \$14.85
- The silver price seems to consolidate in today's U.S trading session
- Dealers continue to pull gold and silver prices back in expectation of price falls
- Silver price has re-affirmed its relationship with the gold price, it remains more volatile than gold both ways
- For short term silver can be more rewarding or damaging, than gold

### Silver - Technical Indicators

RSI 14	50.57
SMA 20	15.17
SMA 50	14.57
SMA 100	14.45
SMA 200	14.86

### Silver Daily Graph



Source: Meta Trader, IGI Research

### Fundamentals

- Silver prices are one of the last bargain-bin sectors and they are now finally moving higher. Silver has traded sideways since the start of the week after coming under intense selling pressure in mid-February.
- The combination of weaker gold prices, higher US real interest rates and stronger dollar since the start of this week seems to be behind silver's poor price performance.
- On the positive side, silver has slightly outperformed gold over the past two days because the recovery in global appetite for equities, commodities or credit is having a more pronounced impact on gold, which benefited from a strong increase in safe-haven demand at the start of the year due to turbulence in financial markets.
- Risk appetite returned to financial markets yesterday following positive US macro data. The US ISM manufacturing PMI surprised to the upside in February, rising 1.3 points to 49.5. Although still below 50, this could suggest an end to the weakness in the manufacturing sector.
- This prompted investors to revise upwards their projections for the path for US rates, with the probability of a rate increase in December climbing to 64.4 percent, according to market-based measures, boosting risk-on sentiment. Silver was under pressure but gold fell the most.
- The gold-silver ratio, currently at 82.8, recently reached its highest since the global financial crisis in 2008. Should the financial markets continue to show signs of stabilisation, investors could rebuild long positions in risk-friendly positions.
- The US employment report for February is due on Friday. This could have a meaningful impact on market expectations regarding the path for US rates and therefore on US real interest rates.

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

Date	Large Speculators			Commercial			Small Speculators			Open Interest
	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	
26-Jan-16	42,097	29,999	58%	56,157	75,843	43%	23,121	15,533	60%	132,501
02-Feb-16	42,083	27,402	61%	54,280	79,052	41%	24,963	14,872	63%	132,475
09-Feb-16	41,285	23,950	63%	53,875	79,404	40%	23,378	15,184	61%	131,294
16-Feb-16	41,287	24,798	62%	58,869	83,678	41%	21,523	13,203	62%	136,158
23-Feb-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
Thu Mar 03	14:30	Markit/CIPS UK Composite PMI (FEB)	medium		55.7	56.1
Thu Mar 03	15:00	Euro-Zone Retail Sales (YoY) (JAN)	medium		1.3%	1.4%
Thu Mar 03	17:30	U.S Challenger Job Cuts (YoY) (FEB)	low			41.6%
Thu Mar 03	18:30	U.S Initial Jobless Claims (FEB 27)	medium		270k	272k
Thu Mar 03	18:30	U.S Continuing Claims (FEB 20)	medium		2235k	2253k
Thu Mar 03	19:45	Markit US Composite PMI (FEB)	low			50.1
Thu Mar 03	20:00	U.S ISM Non-Manufacturing/Services Composite (FEB)	high		53	53.5
Thu Mar 03	20:00	U.S Factory Orders (JAN)	medium		2.1%	-2.9%
Thu Mar 03	20:00	U.S Durable Goods Orders (JAN)	medium			4.90%

Source: Forex Factory, IGI Research

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