

Commodity Outlook

Tuesday, March 29, 2016



Gold

Technical

Gold markets initially fell during the day on Monday, but found enough support near the \$1210 level to turn things back around and form a hammer. The hammer of course is a very bullish sign and if we can break above the top of it and of course the candle from Friday, gold should continue to grind its way higher and reach towards the \$1270 level. With this, we are bullish of this market and have no interest whatsoever in selling because we not only recognize that the hammer is very supportive, but there is also a significant amount of support at the \$1200 level below.

| | | | |
|------------|-------|-------|-------|
| Pivot: | 1,218 | | |
| Support | 1,206 | 1,200 | 1,195 |
| Resistance | 1,225 | 1,231 | 1,236 |

Recommendation

Sell positions below 1225.0 with targets at 1206.5 and 1200.5 in extension

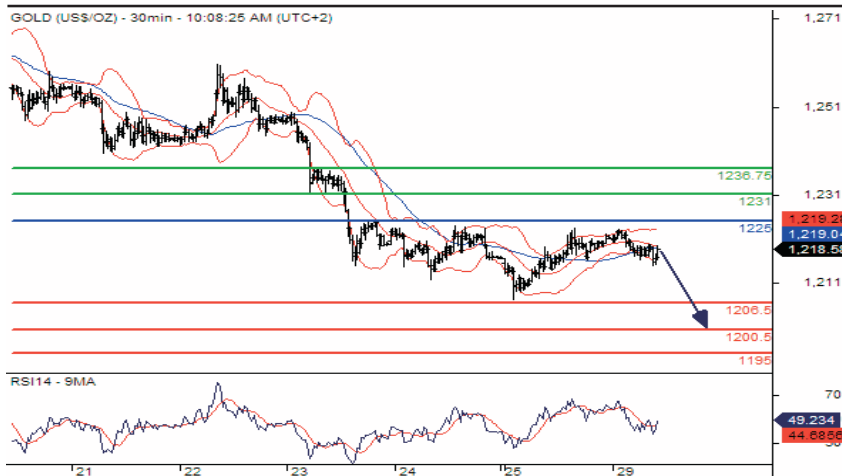
Highlights

- Gold edged up yesterday, as the dollar retreated after weaker-than-expected U.S. data, but stayed close to a one-month low
- Investors focused on Fed officials that could give clues on potential interest rate increases
- U.S consumer spending rose marginally in February
- Weaker U.S data supports the view the Fed would raise interest rates at gradual pace
- Liquidity was thin as London and many other gold markets were closed for the Easter Monday holiday

Gold - Technical Indicators

| | |
|---------|----------|
| RSI 14 | 43.14 |
| SMA 20 | 1,246.36 |
| SMA 50 | 1,209.44 |
| SMA 100 | 1,143.70 |
| SMA 200 | 1,133.50 |

Gold Daily Graph



Source: Meta Trader, IGI Research

Fundamentals

- Gold fell today, extending losses after its biggest weekly drop since early November, as the dollar firmed ahead of a speech by Federal Reserve chair Janet Yellen which will be watched for clues on U.S. monetary policy. Yellen is due to speak at the Economic Club of New York.
- Gold is highly sensitive to U.S. monetary policy, as rising interest rates lift the opportunity cost of holding non-yielding bullion, while boosting the dollar. The precious metal slid 3 percent last week after hawkish comments from a series of Fed officials.
- Spot gold was down 0.2 percent at \$1,217.96 an ounce, after touching a one-month low on Monday at \$1,208.15 an ounce. U.S. gold futures for April delivery were down \$2.00 an ounce at \$1,218.10.
- The odds for such an event are still very low, but if Janet Yellen does shows her hawkish side, the possibility of the April meeting becoming a live one could inflate even further. The next support is at \$1,179. A hawkish Yellen and a strong reading for the U.S. non-farm payrolls could easily push the gold price to this level.
- European shares rose and the dollar climbed 0.1 percent against a basket of currencies on Tuesday as investors looked to Yellen's speech for clues to the interest rate outlook following weak U.S. data. Reports showed U.S. consumer spending barely rose in February and inflation retreated.
- The Fed funds futures market is still pricing in a September rate hike at the earliest - a shifting of expectations towards an earlier rate hike could see the dollar and Treasury yields move higher and gold under pressure once again.
- Elsewhere, data showed the world's biggest bullion consumer China's net gold imports via main conduit Hong Kong rose in February from a 17-month low reached in the previous month.

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

Commodity Outlook

Tuesday, March 29, 2016



Crude Oil

Technical

Oil market initially rallied during the course of the day on Monday, but found the \$40 level be far too resistive. We turn right back around to form a bit of a shooting star, and then shooting star of course suggests that we are going to fall from here. If we do, the \$38 level below will be supportive, but we should continue to go below there given enough time. In fact, we will more than likely try to get to the \$36 level, but we would wait to see a daily close below \$38, because it would suggest that the downward pressure should continue. On other hand, if we break above the top of the shooting star, the market should then go to \$42.

| | | | |
|------------|-------|-------|-------|
| Pivot: | 38.89 | | |
| Support | 38.35 | 38.00 | 37.70 |
| Resistance | 39.97 | 40.40 | 40.85 |

Recommendation

Sell positions below 39.97 with targets at 38.35 and 38.00 in extension

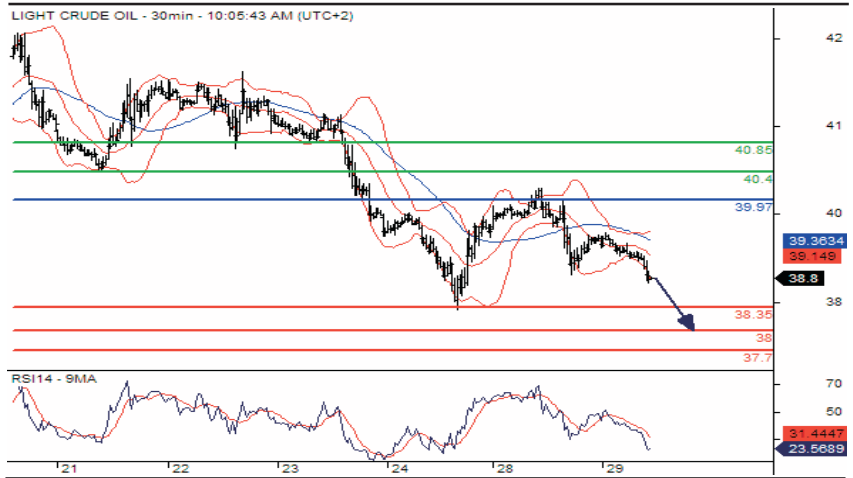
Highlights

- Oil prices fell in thin trade in today's session ahead of a speech from Federal Reserve Chairwoman Janet Yellen
- West Texas Intermediate, was down 1.5% at \$38.79 a barrel in morning trading
- Trading was thinner than usual as many participants hadn't returned to the market after the Easter break
- Market participants are eyeing a speech from Ms. Yellen later today
- The job report later this week will also give a signal on the state of the economy

Crude - Technical Indicators

| | |
|---------|-------|
| RSI 14 | 56.02 |
| SMA 20 | 38.10 |
| SMA 50 | 34.28 |
| SMA 100 | 34.94 |
| SMA 200 | 39.97 |

Crude Oil Daily Graph



Source: Meta Trader, IGI Research

Fundamentals

- Oil prices fell today, reflecting growing concerns that a two-month rally may be in danger of fizzling, while analysts forecast another rise to record levels for U.S. crude stockpiles.
- The oil price has risen by more than 45 percent since mid-February ahead of a meeting next month between the world's major producers to discuss an output freeze to support prices. But there is growing scepticism about the outcome of meeting.
- The amount of verbal intervention, which has obviously helped the market greatly over the past two months, combined with a production slowdown in the U.S, has probably taken oil as far as it can, now the market really wants to see some action.
- OPEC and other major suppliers, including Russia, are to meet on April 17 in Doha to discuss an output freeze aimed at bolstering prices. But with ballooning global inventories, signs that some OPEC members are losing market share, plus little evidence of a strong pick-up in demand, analysts said oil is likely to trade in a range.
- The numbers continue to suggest a supply glut and I suspect that more talk is relevant out of OPEC and Co to help the price stand up or to help it remain relatively stable.
- U.S. commercial crude oil stockpiles were expected to have reached record highs for a seventh straight week, while refined product inventories likely fell, a preliminary Reuters survey showed late yesterday.
- The U.S. job report later this week will also give a signal on the state of the U.S. economy. Elsewhere, major oil producers will meet in Doha on April 17 to discuss a freeze of oil production, but Iran and Libya will be absent.

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 | 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

Tuesday, March 29, 2016



Silver

Technical

The silver market initially rallied during the course of the session on Monday, but turned right back around to form a shooting star. The shooting star sits at the bottom of the range, so the silver market could break down a little bit from here. Even if we do though, there is a massive amount of support all the way down to at least the \$15 level, so we have no interest in selling anyway. It would be much easier to buy this market on a break above the top of the shooting star as it would show real strength, with the market heading to the \$16 level.

| | | | |
|------------|-------|-------|-------|
| Pivot: | 15.12 | | |
| Support | 15.00 | 14.88 | 14.58 |
| Resistance | 15.35 | 15.56 | 15.73 |

Recommendation

Sell positions below 15.35 with targets at 15.00 and 14.88 in extension

Highlights

- Silver fell almost 60 cents. Since silver fell proportionally farther than gold, the gold-silver ratio went up
- Silver prices remain depressed and it has failed to keep up with the recent rally in gold
- A sharp reduction in investment by miners will place pressure on silver supplies and cause production to fall
- For the year-to-date the iShares Silver Trust shot up by 9%
- The price of silver soared over the last three months, but that momentum has paused

Silver - Technical Indicators

| | |
|---------|-------|
| RSI 14 | 46.64 |
| SMA 20 | 15.50 |
| SMA 50 | 15.15 |
| SMA 100 | 14.61 |
| SMA 200 | 14.83 |

Silver Daily Graph



Source: Meta Trader, IGI Research

Fundamentals

- Silver futures traded higher yesterday, rebounding from last week's sharp selloff after weak consumer spending data pointed to lackluster growth at the beginning of the year.
- Silver for May deliver climbed 13 cents or 0.9% to \$15.33 US per troy ounce on the Comex division of the New York Mercantile Exchange. Relative strength is below 50 and reversing higher after last week's sharp decline.
- The grey metal is consolidating higher after falling nearly 4% last week, as a surging US dollar weighed on non-yielding precious metals. The 30-day gold-to-silver ratio, which is used by investors to determine when to buy or sell precious metals, currently stands at about 1 to 80.5.
- The gold-to-silver ratio has widened in recent weeks, a sign that the grey metal is sharply undervalued. In addition to being undervalued, silver will likely benefit from growing industrial demand in sectors ranging from solar panels to other forms of clean tech. This could offset declining production of the grey metal due to weaker demand for copper, lead and zinc.
- More than two-thirds of silver is mined as a byproduct of gold and base metals. In economic data, American household spending rose modestly in the first two months of the year, suggesting that lackluster growth in the broader economy could keep interest rates lower for longer.
- Consumer spending edged up 0.1% in February after a downwardly revised gain of 0.1% the previous month, the Commerce Department reported yesterday. Consumer spending, which accounts for more than two-thirds of economic activity, was originally said to have increased 0.5% in January.
- Last week the Commerce Department revised up its estimate of fourth quarter growth to 1.4% from 1%, citing a bigger contribution from consumer spending than previously forecast.

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 |
|------------|-------|--|------------|--------|----------|----------|
| Tue Mar 29 | 04:30 | Japan Jobless Rate (FEB) | medium | | 3.2% | 3.2% |
| Tue Mar 29 | 04:30 | Japan Household Spending (YoY) (FEB) | medium | | -1.9% | -3.1% |
| Tue Mar 29 | 04:50 | Japan Retail Trade (YoY) (FEB) | medium | | 1.6% | -0.2% |
| Tue Mar 29 | 04:50 | Japan Large Retailers' Sales (FEB) | medium | | 1.6% | 0.9% |
| Tue Mar 29 | 10:00 | Japan Small Business Confidence (MAR) | medium | | 49.0 | 47.9 |
| Tue Mar 29 | 12:35 | Switzerland Total Sight Deposits (MAR 25) | low | | | 482.5b |
| Tue Mar 29 | 18:00 | U.S S&P/Case-Shiller Composite-20 (YoY) (JAN) | medium | | 5.75% | 5.74% |
| Tue Mar 29 | 19:00 | U.S Consumer Confidence (MAR) | high | | 94.0 | 92.2 |
| Tue Mar 29 | 20:30 | U.S Fed Chair Janet Yellen Speaks to Economic Club of New York | high | | | |

Source: Forex Factory, IGI Research

