

# Commodity Outlook

Wednesday, March 30, 2016



## Gold

### Technical

Gold markets initially fell during the course of the day on Tuesday, but found enough support to turn things around below the \$1220 handle, and as a result it's very likely that the market will rally to the \$1270 level above. On top of that, the market should continue to go higher, and perhaps break out to the upside given enough time. Gold markets will be given plenty of reason to rally due to the fact that the Federal Reserve has step away from at least a few interest-rate hikes. Market players have no interest whatsoever in selling this market.

Pivot:	1,235		
Support	1,231	1,223	1,215
Resistance	1,249	1,257	1,260

### Recommendation

Buy positions above 1231.00 with targets at 1249.00 and 1257.00 in extension

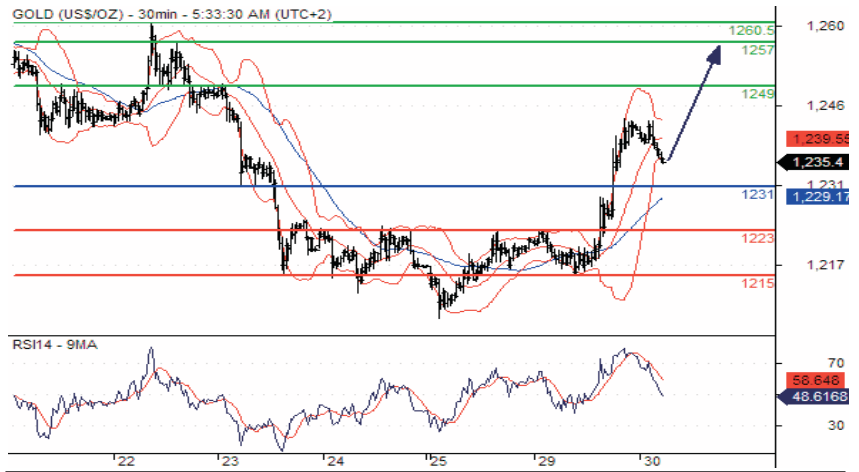
### Highlights

- Gold held on to sharp overnight gains today, buoyed by a softer dollar and Fed chair Janet Yellen's remarks
- Precious metals are highly sensitive to U.S monetary policy
- Rising interest rates lift the opportunity cost of holding non-yielding bullion, while boosting the dollar
- Yellen said yesterday inflation has not yet proven durable
- Gold could be subject to downside risks as focus now shifts to key U.S. jobs data due this week

### 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 edged back below \$1,240 an ounce on Wednesday as investors cashed in some of the previous day's 1.7 percent gains, sparked by Fed chair Janet Yellen's indication that she remained cautious on further interest rate hikes.
- In her first comments since the Federal Reserve opted to keep rates on hold two weeks ago, Yellen said inflation has not yet proven durable against the backdrop of global risks to the U.S economy, including depressed oil prices and worries over China.
- Fading expectations for further hikes weighed on the dollar and buoyed gold prices, which came under pressure last year from anticipation that rates would rise. Higher rates increase the opportunity cost of holding non-yielding assets, such as gold.
- Spot gold was at \$1,237.66 an ounce, down 0.3 percent, having risen 1.7 percent on Tuesday after Yellen's speech. U.S. gold futures for April delivery were up \$2.50 an ounce at \$1,238.30. Yellen's remarks came after a string of hawkish comments from Fed officials last week that prompted a 3 percent slide in gold prices.
- Yellen surprised the market by her dovish comments after more aggressive comments from other FOMC members last week. The combination of a weaker dollar, reduced rate hike expectations and lower bond yields remain the key positive drivers for gold.
- Holdings of the world's biggest gold-backed exchange-traded fund, SPDR Gold Shares, declined for the first day in two weeks on Tuesday, by 3.3 tonnes. The dollar index edged off early lows, though it remained down 0.2 percent.
- Assets in SPDR Gold Trust, the world's largest gold-backed exchange-traded fund, fell 0.40 percent to 820.47 tonnes on Tuesday - the first drop in two weeks. Focus is now shifting to the main U.S jobs data later this week.

### 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

Crude Oil market fell during the course of the session on Tuesday, testing the \$38 level. It looks as if we are trying to break down here, and if we can get below that level, it's more than likely that we are going to reach the \$36 handle below. Given enough time, the market will probably reach towards the \$34 level as well, and with the Could Oil Inventory numbers coming out today, it's very likely that we will get quite a bit of volatility. This could be the reason for this market break down. On the other hand, we could get a bit of a bounce but there is a significant amount of resistance above and therefore it should be short-term only.

Pivot:	38.99		
Support	38.45	37.90	37.37
Resistance	39.50	40.15	40.80

### Recommendation

Buy positions above 38.45 with targets at 39.50 and 40.15 in extension

### Highlights

- Oil prices rose for the first time in five days in New York
- Federal Reserve Chair Janet Yellen reasserted the central bank's gradual approach to raising interest rates
- Futures climbed as much as 2.1 percent as the Dollar held the biggest loss in more than a week
- Survey showed U.S. crude inventories probably increased by 3.1 million barrels last week
- A seventh weekly gain that would keep supplies at the most in eight decades

### 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 futures edged up on Wednesday to near \$40 per barrel as a weaker dollar spurred interest in riskier assets and the International Energy Agency said expectations for a deluge of oil from Iran were misplaced.
- U.S. crude rose 61 cents to \$38.89 a barrel after ending yesterday down \$1.11. The dollar index fell, after slipping to an eight-day low in the previous session on dovish comments by U.S. Fed Chair Janet Yellen about possible interest rate rises. A weaker dollar makes greenback-denominated commodities cheaper for holders of other currencies.
- One of the main reasons for Yellen's dovish stance is the low oil price and she made a direct reference to it. For Yellen, low oil prices are not only contributing to low inflation expectations but they are a threat to global economic growth due to the financial stress they are imposing on oil-producing economies.
- Oil prices fell about 3 percent in the previous session after Kuwait and Saudi Arabia said they would resume production at the jointly operated 300,000-barrels-per-day Khafji field even as major oil producers consider an output freeze.
- The freeze idea emerged after prices fell below \$30 a barrel in January from as high as \$115 in June 2014 on global oversupply spurred by U.S. production growth and rising output from oil exporter group OPEC.
- The International Energy Agency, which oversees energy policies of industrialised nations, forecasts the global stock build to continue this year. But it said on Wednesday Iran was not adding as many barrels into the market as expected despite the easing of international sanctions against Tehran in January.
- OPEC member Iran is expected to attend an oil producers meeting in Doha on April 17 to discuss the proposed freeze, although it may not take part in the talks. Later today, the U.S. government releases official crude inventory data.

### 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

Wednesday, March 30, 2016



## Silver

### Technical

Silver markets initially fell during the course of the day on Tuesday, but turn right back around and form something akin to a hammer. That being the case, the market looks as if the silver is going to go higher from here, and as a result economists believe that a break above the top of the candle from Monday is a buying opportunity to go to the \$16 level. Ultimately, the market should continue to break up above, but the silver market is in a consolidation area at the moment. Given enough time though, the buyers should continue to take control.

Pivot:	15.40		
Support	15.25	15.02	14.88
Resistance	15.56	15.67	15.76

### Recommendation

Buy positions above 15.25 with targets at 15.56 and 15.67 in extension

### Highlights

- Silver was flat at \$15.36 an ounce in today's Asian trading session
- The dollar edged off early lows, though it remained down 0.3 percent. Focus is now shifting to the main U.S. jobs data later this week
- Yellen surprised the market by her dovish comments after more aggressive comments from other FOMC members last week
- Yellen comments were very dovish and the rate hike expectations are pushed forward
- Yellen said the central bank will need to be circumspect given the risky economic outlook

### 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 prices slid below the March 16 low of \$15.22, which has triggered losses and a short-term bearish trend. The business press reports that precious metals are softer on a stronger dollar.
- The short-term trend defining level for silver is the March 28 high of \$15.39, as it's the latest swing high and preceded by the March 22 high of \$16.02. The next level of support is the March 3 low of \$14.87, followed by the March 1 low of \$14.75.
- Yellen's dovish tone hurt the U.S. dollar as rising interest rates bolster the U.S. currency at the expense of metals that don't bear interest, including silver and other dollar-priced commodities.
- Silver, which tends to closely follow gold, has been on a slightly less-skyward ascent. The gold/silver ratio now sits at 80, which it hasn't reached for an extended period of time since the early 1990s. This could mean that silver is undervalued, and silver has shown over time that it can jump up in price with sudden, strong movements.
- Silver has gone on 58 such runs where it jumped more than 10% in price in a mere matter of days, compare this to gold, which has only had 31 such streaks.
- In a speech at The Economic Club of New York, Yellen said the central bank will need to be circumspect given the risky economic outlook and stressed that it is too early to determine whether the rise in core inflation will be sustained.
- Yellen also said the U.S. central bank will introduce more bond purchases and swaps should the economy stumble but she didn't specifically mention negative interest rates. The chairwoman's remarks Tuesday echo the Fed's policy statement from earlier this month which had underscored its desire to go slow on hiking 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

# Commodity Outlook

Wednesday, March 30, 2016



## Data Calendar

### Economic Data

Date	Time	Event	Importance	Actual	Forecast	Previous
Wed Mar 30	09:00	JPY Vehicle Production (YoY) (FEB)	medium	-6.9%		-5.8%
Wed Mar 30	11:00	CHF UBS Consumption Indicator (FEB)	medium	1.53		1.45
Wed Mar 30	12:00	CHF KOF Leading Indicator (MAR)	medium	102.5	102.0	102.6
Wed Mar 30	14:00	EUR Euro-Zone Consumer Confidence (MAR)	low	-9.7	-9.7	-9.7
Wed Mar 30	16:00	USD MBA Mortgage Applications (MAR 25)	medium	-1.1%		-3.3%
Wed Mar 30	17:00	EUR German Consumer Price Index (YoY) (MAR)	high		0.1%	0.0%
Wed Mar 30	17:15	USD ADP Employment Change (MAR)	medium		195k	214k
Wed Mar 30	19:30	USD DOE U.S. Crude Oil Inventories (MAR 25)	medium		3000k	9357k
Wed Mar 30	19:30	USD DOE U.S. Gasoline Inventories (MAR 25)	low		-2500k	-4642k

Source: Forex Factory, IGI Research

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