

## Gold

### Technical

Gold futures are trading higher today. Traders took out the high at \$1267.60 that had been holding gold in a range. This doesn't mean the trend has changed to up, but it does indicate that traders may be probing for buy stops. When they find them, the market could accelerate to the upside. The main trend is down according to the daily swing chart. However, momentum is starting to shift to the upside. If it's true that the "height of the market is determined by the length of its base" then we could be looking at a strong rally over the near-term based on the size of the recent elongated support base. Now that we've crossed to the strong side of the trading range, holding above the previous high at \$1267.60 will indicate that buyers are coming in to support the rally. The main range is \$1207.00 to \$1384.40. Its retracement zone is \$1274.80 to \$1295.70.

Pivot:	1,263		
Support	1,256	1,252	1,249
Resistance	1,268	1,272	1,277

### Highlights

- Gold futures yesterday book its highest settlement level in nearly two weeks
- Strength in the Pound helped the Dollar ease back from recent multimonth highs
- Signs of a pickup in U.S. inflation, which tends to be supportive for precious metals, also gave the metal a lift
- U.S. government showed that the Consumer Price Index climbed 0.3% last month matching the forecast of economists
- December gold rose \$6.30, or 0.5%, to settle at \$1,262.90 an ounce

### Gold - Technical Indicators

RSI 14	20.47
SMA 20	1,310.07
SMA 50	1,323.72
SMA 100	1,325.99
SMA 200	1,284.98

### Gold Daily Graph



Source: Meta Trader

### Fundamentals

- Gold rose today as the dollar weakened and Treasury yields ticked lower amid uncertainty around the timing of a U.S. rate increase. Spot gold gained 0.6 percent to \$1,270.11 an ounce. U.S. gold futures rose \$9 to \$1,271.80 an ounce.
- Spot gold had shed about 7 percent over the past three weeks, as markets repriced the likelihood of a Federal Reserve's rate hike in December. The metal is highly sensitive to rising rates, which lift the opportunity cost of holding non-yielding assets.
- However, a retreat in the dollar, which fell 0.3 percent against a basket of six main currencies after U.S. consumer prices showed a moderation in underlying inflation, prompted markets to trim bets on a December Federal Reserve rate hike.
- Fed fund futures imply around a 65 percent probability of the Federal Reserve raising interest rates by December, down from 70 percent before the Consumer Price Index data.
- A European Central Bank's policy meeting on Thursday will also be monitored by markets. The metal was also benefiting from lower European shares, indicating waning investor appetite for risk.
- The market is keeping an eye on the potential rate hike in December, which we don't expect because once we get close to the meeting, the Fed will see that key figures are not doing well enough to justify another rate hike and there will be some support for gold
- We remain relatively negative on gold short term despite a stronger start to the week. We expect further dollar strengthening going into Q4 on account of an election victory for Hillary Clinton along with the likelihood of a Fed rate hike.

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

Date	Large Speculators			Commercial			Small Speculators			Open Interest
	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	
5/10/2016	337251	72353	82%	120854	284003	30%	49448	31277	61%	384,974
5/17/2016	340748	74460	82%	115571	287002	29%	51148	36,819	61%	450555
5/24/2016	291266	84634	77%	116493	311865	27%	53520	32958	62%	499110
5/31/2016	274589	77454	77%	118610	304141	28%	49810	33791	60%	493086
6/07/2016	295688	67069	82%	127081	327075	28%	51562	30399	63%	510579

Source: CFTC

## Crude Oil

### Technical

The WTI Crude Oil market initially tried to rally during the day on Tuesday, but turned right back around to form a bit of a shooting star. The shooting star of course is a negative sign but I think that there is quite a bit of support near the \$49 level. With that being the case, I think sooner or later the buyers will return and therefore selling really isn't a thought. A supportive candle below could be a buying opportunity but I also recognize that the \$51.50 level above is massively resistive. With this in mind, it's very likely that the market will continue to be choppy and therefore I'm going to sit on the sidelines at this moment as the market seems to be simply consolidating and building up for the next larger move. Also, you have to keep in mind that today is the Crude Oil Inventories number out of America, which could make it a very difficult trading day.

Pivot:	51.08		
Support	50.17	49.76	49.47
Resistance	51.34	51.55	51.90

### Highlights

- Crude oil futures pivoted higher in early Asian trade today on prospects that U.S. crude inventories likely dipped last week
- Crude futures for delivery in November traded at \$50.76 a barrel, up \$0.47
- U.S domestic crude inventories likely slipped by 3.8 million barrels in the week ended October 14 based on data by API
- Data will be released by the Energy Information Administration later today
- Oil prices have been under pressure for over two years as supply outpaced demand

### Crude - Technical Indicators

RSI 14	69.08
SMA 20	46.54
SMA 50	46.22
SMA 100	45.91
SMA 200	43.50

### Crude Oil Daily Graph



Source: Meta Trader

### Fundamentals

- Oil rose by around 1 percent on Wednesday, boosted by evidence of declining production in China and falling U.S. inventories, while an upbeat OPEC statement on its planned output cut also supported the market.
- A slightly weaker dollar reinforced the strength in oil as well, traders said, as it makes fuel purchases cheaper for countries using other currencies, potentially spurring demand.
- U.S WTI crude oil futures were up 73 cents at \$51.02 a barrel. Saudi Arabian Energy Minister Khalid al-Falih said on Wednesday that oil markets were at the end of a considerable downturn as fundamentals were improving and supply and demand were rebalancing.
- He called on non-OPEC producers to help stabilise the market saying their role was as critical as the role of OPEC members. Market forces are clearly working after a testing period of sub-\$30 oil prices. Oil demand is expanding at a healthy rate despite slower global growth
- As the world's largest exporters prepare to discuss the first cut in output in eight years next month, the pressure of persistently low oil prices on higher-cost producers is becoming apparent.
- China's crude output fell 9.8 percent to 3.89 million bpd, to near its lowest in six years in the second-biggest year-on-year decline on record. The fall in Chinese crude oil production is probably attributable to the low price level, which makes parts of production unprofitable.
- This makes it all the harder to understand why OPEC is talking prices up with its current debate about production cuts, and is thus helping precisely those oil producers it would ideally like to force out of the market. Adding to the support to crude prices from lower output, refining rates in the world's largest commodities consumer rose last 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	
5/10/2016	458,206	105,441	81%	560,983	925,531	38%	82,700	70,917	54%	1,598,935
5/17/2016	462,028	106,739	81%	557,217	927,085	38%	85,279	70,700	55%	1,615,844
5/24/2016	454,829	123,816	79%	571,328	916,651	38%	87,594	73,282	54%	1,619,796
5/31/2016	463,186	135,835	77%	560,029	897,400	38%	87,590	77,633	53%	1,623,027
6/07/2016	473,506	133,457	78%	558,910	898,363	38%	79,121	79,717	50%	1,613,293

Source: CFTC

## Silver

### Technical

The silver markets gained yesterday but found enough resistance above the \$17.60 level to turn things back around and form a bit of a shooting star. Ultimately, I believe that the market is simply trying to figure out where wants to go yet, and it is trying to form a bit of a base that allows it to rally from here, and with that being the case I think that short-term buying opportunities may present themselves again and again on signs of support. However, we are obviously not ready to go anywhere for longer-term move quite yet. A daily close above 17.82, and really above 18 (to clear above triple confluence of resistance) is needed to turn our bearish bias cautious. We will need to see how that would unfold first before drawing any concrete conclusions. As long as resistance holds, a break below the 10/7 low at 17.12 will open the door up for losses towards the 16 area.

Pivot:	17.63		
Support	17.48	17.35	17.27
Resistance	17.82	18.00	18.18

### Highlights

- Slightly lower than expected core US inflation data helped underpin silver prices on the day with no significant selling pressure
- Silver prices edged higher as the dollar edged lower with wider gains in industrial commodity prices providing net support
- Another bout of buying support pushed prices to the \$17.70 per ounce area
- US CPI data met consensus forecasts with a 0.3% increase as energy prices strengthened
- Dollar edged lower in an immediate reaction to the data and US Treasuries rallied

### Silver - Technical Indicators

RSI 14	24.68
SMA 20	18.92
SMA 50	19.11
SMA 100	19.18
SMA 200	17.63

### Silver Daily Graph



### Fundamentals

- Silver prices advanced to more than one-week highs Tuesday, helped by a weaker US currency. December silver futures were on track for the highest settlement since October 10, advancing 17 cents, or 1%, to \$17.64 a troy ounce. The futures price traded within a daily range of \$17.46 and \$17.71.
- The grey metal is still hovering in oversold territory on the Relative Strength Index following a week of lateral moves. Silver has plunged more than 10% since the conclusion of the September 20-21 Federal Open Market Committee (FOMC) meeting.
- Precious metals were supported by a softer US dollar, which declined for a second consecutive day against a basket of other major currencies. The dollar index fell as much as 0.3% through the overnight session. It was last down 0.1% at 97.76.
- Reuters reported in yesterday's trading session that Deutsche Bank AG has agreed to pay a \$38 million settlement for illegally conspiring to fix silver prices at the expense of traders on the floor. The embattled bank also faces a \$14 billion fine for its role in mis-selling mortgage-backed securities during the U.S housing bubble.
- In economic data, UK consumer inflation rose more than expected in September, reaching its highest level in 22 months. The consumer price index rose 0.2% from August and was up 1% from a year ago. The Bank of England (BOE) recently stated that it expects inflation to continue higher given the large depreciation in the British pound.
- The October NAHB home-building index was in line with expectations at 63 from 65 previously and US Treasuries gained some fresh support towards the European closing. US economic data releases will continue to be monitored closely, although the overall impact is liable to be limited in the short term.

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Date	Large Speculators			Commercial			Small Speculators			Open Interest
	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	
5/10/2016	42,097	29,999	58%	56,157	75,843	43%	23,121	15,533	60%	132,501
5/17/2016	42,083	27,402	61%	54,280	79,052	41%	24,963	14,872	63%	132,475
5/24/2016	41,285	23,950	63%	53,875	79,404	40%	23,378	15,184	61%	131,294
5/31/2016	41,287	24,798	62%	58,869	83,678	41%	21,523	13,203	62%	136,158
6/07/2016	41,334	26,466	62%	60,600	84,551	42%	21,666	13,583	61%	139,468

Source: CFTC

# Commodity News

Wednesday, October 19, 2016



## Data Calendar

### Economic Data

Date	Time	Event	Importance	Actual	Forecast	Previous
Wed Oct 19	07:00	CNY Industrial Production (YoY) (SEP)	Medium	6.1%	6.4%	6.3%
Wed Oct 19	07:00	CNY Retail Sales (YoY) (SEP)	Medium	10.7%	10.7%	10.6%
Wed Oct 19	07:00	CNY GDP (YoY) (3Q)	High	6.7%	6.7%	6.7%
Wed Oct 19	13:30	GBP Jobless Claims Change (SEP)	Medium	0.7k	3.2k	7.1k
Wed Oct 19	13:30	GBP Employment Change (3M/3M) (AUG)	Medium	106k	70k	174k
Wed Oct 19	16:00	USD MBA Mortgage Applications (OCT 14)	Medium			-6.0
Wed Oct 19	17:30	USD Housing Starts (MoM) (SEP)	Medium		2.9%	-5.8%
Wed Oct 19	17:30	USD Building Permits (MoM) (SEP)	Medium		1.1%	0.7%
Wed Oct 19	19:30	USD DOE U.S. Crude Oil Inventories (OCT 14)	Medium		2100k	4850k

Source: Forex Factory, DailyFX

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