

Commodity News

Friday, December 21, 2018



Gold

Technical

Gold markets rallied significantly during the trading session yesterday, breaking well above the \$1255 level. At this point, it looks as if this market could continue to grind its way to the upside, especially if it can get some type of "safety trade" going in the precious metals market. If it break out to the upside, it could go as high as \$1400 and still stay within the longer-term consolidation. At this point, it is the most likely path, but be careful with leverage, because quite frankly it's a dangerous market that it find ourselves in right now, not to mention the fact that liquidity will be a bit of an issue. Keep your position size small, but it should be looking to the upside at this point. With the holidays upon us, it's probably easier to simply buy short-term dips, even if it's just for very small position. If it turn around and sliced through the \$1200 level, that would signify that it is ready to break down drastically.

Pivot:	1,255		
Support	1,255	1,251	1,246
Resistance	1,276	1,270	1,266

Source: FX EMPIRE

Highlights

- If the U.S dollar index has topped, gold could make a straight line to \$1,360 before it meets resistance
- Gold was under pressure as higher real interest rates continue to provide pressure to investors
- Gold can move quickly in a short period of time when sentiment changes
- The precious metal is highly under owned and miners are cheap
- The dollar index, which measures the greenback against a basket of six major currencies, was near a one-month low against its peers

Gold - Technical Indicators

RSI 14	45.44
SMA 20	1,267.2
SMA 50	1,252.1
SMA 100	1,256.3
SMA 200	1,277.8

Source: FX EMPIRE

Gold Daily Graph



Source: Meta Trader

Fundamentals

- Gold prices held firm today, having climbed to a near six-month high in the previous session, as investors shunned risky assets and the dollar lingered near one-month lows.
- Spot gold was steady at \$1,260.16 per ounce, after jumping over 1% in the previous session. The precious metal hit a high of \$1,266.4, a level last touched on June 26. U.S gold futures declined 0.3 percent to \$1,263.7 per ounce.
- The dollar fell to a more than three-month low against the yen, after the Federal Reserve signalled fewer interest rate hikes over the next two years and expressed caution about the U.S economic outlook.
- U.S Federal Reserve Chairman signalled more interest rate hikes over the next couple of years, but investors of U.S interest rate futures are not buying it. In fact, they now expect a rate cut in 2020.
- Recent economic data has softened, the level of economic activity remains solid, which should provide the Fed support for meeting their average expected increase in rates. This should continue to support the U.S dollar and pressure gold prices.
- Higher rates tend to dull the appeal of precious metals, compared against assets that offer a yield. Moreover, an indication that U.S rate setters will tap the brakes as it attempts to normalize policy may weaken the dollar and provide runway for dollar-pegged gold, which is more attractive to buyers.
- Investors may turn back to bullion in the coming year, dealers and analysts said, as precious metals could look more attractive as a storehouse of value if stock markets remain volatile.

US Commodity Futures Trading Commission (CFTC) Data

Date	Large Speculators			Commercial			Small Speculators			Open Interest
	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	
12/27/2016	337251	72353	82%	120854	284003	30%	49448	31277	61%	384,974
01/03/2017	340748	74460	82%	115571	287002	29%	51148	36,819	61%	450555
01/10/2017	291266	84634	77%	116493	311865	27%	53520	32958	62%	499110
01/17/2017	274589	77454	77%	118610	304141	28%	49810	33791	60%	493086
01/24/2017	295688	67069	82%	127081	327075	28%	51562	30399	63%	510579

Source: CFTC

Crude Oil

Technical

The WTI Crude Oil market fell right off the bat during the trading session yesterday, then continues to a fresh, new low. Ultimately, the \$50 level above looks very likely to be resistance, just as the \$45 level is support. If it do break down below the \$45 level, then the market could go down to the \$40 level next. Expect a lot of volatility, especially as liquidity drives up towards the end of the year. Brent markets continue to struggle as well, as it reached down towards the \$55 level. If it can break down below the \$55 level, then the market will probably continue down to the \$57.50 level, and then possibly even the \$50 handle after that. Rallies at this point will continue to show signs of exhaustion near the \$60 handle. If it break above the \$62.00 level, then it's likely that it could go towards the 50 day EMA to the upside. However, selling pressure is crushing at the moment.

Pivot:	47.00		
Support	45.65	45.25	44.80
Resistance	48.25	47.55	47.00

Source: FX EMPIRE

Highlights

- U.S stock markets continued their decline yesterday, dragging oil prices lower
- The trade dispute between the U.S and China has raised worries about a slowdown in the global economy, which could hurt energy demand
- China, the world's top oil importer, is set to start 2019 buying little or no crude from the U.S
- Both major oil futures contracts have fallen more than 35 percent from multi-year highs
- U.S crude inventories at Cushing, Oklahoma, the delivery point for U.S crude futures, rose by 1.85 million barrels in the week

Crude - Technical Indicators

RSI 14	55.83
SMA 20	48.93
SMA 50	46.53
SMA 100	47.26
SMA 200	51.85

Source: FX EMPIRE

Crude Oil Daily Graph



Source: Meta Trader

Fundamentals

- Oil prices fell about 5 percent yesterday, hitting their lowest level in more than a year on worries about oversupply and the outlook for energy demand as a U.S interest rate rise knocked stock markets.
- Brent crude futures fell \$2.89, or 5.05 percent, to settle at \$54.35 a barrel. U.S West Texas Intermediate crude futures fell \$2.29, or 4.75 percent, to settle at \$45.88 a barrel. Brent hit a session low of \$54.28 a barrel, while WTI sank to \$45.67, its lowest price since late August 2017.
- Oil prices plunged to their lowest levels in over a year yesterday, deepening a sell-off fueled by concerns about oversupply as stock markets slumped on rising U.S interest rates.
- Market is likely "oversold" as it reacted to the slow removal of that glut of oil left over from the failed Iran sanctions. The market needed 700,000 or 800,000 barrels a day to cover what actually came off the market from Iran.
- Crude futures staged a rally in the previous session on signs of strong fuel demand in the United States. However, bearish reports out of Asia overnight added to worries on both the supply and demand sides of the oil market ledger.
- Global stock markets dropped after the U.S Federal Reserve raised rates on Wednesday and maintained most of its guidance for additional hikes over the next two years, dashing investor hopes for a more dovish policy outlook.
- The oil market is pricing in lower demand in 2019 but at the same time, it's giving zero credit to OPEC's stated cut. However, the U.S added over 1 million barrels a day, Saudi Arabia added almost 1.1 million barrels a day and Russia added another 345,000 barrels a day.

US Commodity Futures Trading Commission (CFTC) Data

Date	Large Speculators			Commercial			Small Speculators			Open Interest
	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	
12/27/2016	458,206	105,441	81%	560,983	925,531	38%	82,700	70,917	54%	1,598,935
01/03/2017	462,028	106,739	81%	557,217	927,085	38%	85,279	70,700	55%	1,615,844
01/10/2017	454,829	123,816	79%	571,328	916,651	38%	87,594	73,282	54%	1,619,796
01/17/2017	463,186	135,835	77%	560,029	897,400	38%	87,590	77,633	53%	1,623,027
01/24/2017	473,506	133,457	78%	558,910	898,363	38%	79,121	79,717	50%	1,613,293

Source: CFTC

Silver

Technical

Silver markets have rallied initially during trading yesterday but have found the \$15 level to be resistive yet again. Because of this, it is looking at a situation where buyers will continue to jump into this market on dips, but quite frankly at this point it has a lot of concern out there that continues to weigh upon risk assets such as silver. However, at the same time it does end up being a bit of a safety trade given enough time. The US dollar is showing signs of strength later in the day, just as this market is rolling over. It is suspected that some type of seriously momentous headline between now and New Year's Day, it will simply grind sideways, perhaps with the \$14.50 level offering short-term support, as it is "fair value" of the overall consolidation between the \$15 level and the \$14 level beneath. If it gets a breakout to the upside or down, it suggests that it is getting a one dollar move.

Pivot:	14.76		
Support	14.53	14.47	14.41
Resistance	14.89	14.84	14.76

Source: FX EMPIRE

Highlights

- The silver price dropped and then bounced back after the Fed's Wednesday rate hike
- The Fed lifted the target federal funds rate by 25 basis points from 2.25 percent to 2.5 percent, causing the price of silver to decline
- The U.S. stock market is very wobbly and investors are leery of another big drop
- The silver market did not see a big reaction to the Fed news but an overall easier U.S. monetary policy is supportive for the metals market
- March Comex silver was down \$0.013 at \$14.805 an ounce

Silver - Technical Indicators

RSI 14	19.80
SMA 20	17.27
SMA 50	16.72
SMA 100	16.85
SMA 200	16.87

Source: FX EMPIRE

Silver Daily Graph



Source: Meta Trader

Fundamentals

- Silver futures tilted lower in Asian trade off November 2 highs for the second session, as the dollar index climbed from November 20 lows for another session ahead of US GDP, consumer, and goods data later today.
- The hike put further pressure on the white metal in a year that saw it drop almost 14 percent. 2018 saw investors abandoning precious metals such as silver as safe havens during times of geopolitical turmoil. Rather, they favored the greenback as their safety net.
- Silver futures due in March shed 0.13% to \$14.82 an ounce, while the dollar index rose 0.08% to 96.47. Now investors await US GDP data, expected with a 3.5% growth rate in the third quarter, down from 4.2% in the second.
- Silver dropped from a Wednesday high of US\$14.77 per ounce to as low as US\$14.53 after the hike was announced. However, it had bounced back to US\$14.77. U.S. personal spending is expected with a 0.3% growth, down from 0.6% in October, while personal income is estimated with a 0.3% increase.
- Finally, the UoM Consumer Sentiment survey is expected with an increase to 97.6 from 97.5 in November, days after the Federal Reserve hiked interest rates by 25 basis points for the fourth time this year to below 2.50%.
- This slowdown will more than likely deter the US dollar from making more gains and allow silver to make up for some of the losses it experienced throughout the year. Durable goods orders are expected with a 1.6% increase, compared to a 4.3% drop in October, while core orders are estimated with a 0.3% increase.

US Commodity Futures Trading Commission (CFTC) Data

Date	Large Speculators			Commercial			Small Speculators			Open Interest
	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	
12/05/2017	42,097	29,999	58%	56,157	75,843	43%	23,121	15,533	60%	132,501
12/12/2017	42,083	27,402	61%	54,280	79,052	41%	24,963	14,872	63%	132,475
12/19/2017	41,285	23,950	63%	53,875	79,404	40%	23,378	15,184	61%	131,294
12/29/2017	41,287	24,798	62%	58,869	83,678	41%	21,523	13,203	62%	136,158
01/02/2018	41,334	26,466	62%	60,600	84,551	42%	21,666	13,583	61%	139,468

Source: CFTC

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Data Calendar

Economic Data

Date	Time	Event	Importance	Actual	Forecast	Previous
Tues Dec 21	18:30	CAD Gross Domestic Product (YoY) (OCT)	High		2.2%	2.1%
Tues Dec 21	18:30	USD Gross Domestic Product Annualized (QoQ) (3Q T)	High		3.5%	3.5%
Tues Dec 21	18:30	USD Core Personal Consumption Expenditure (QoQ) (3Q T)	Medium		1.5%	1.5%
Tues Dec 21	18:30	USD Durable Goods Orders (NOV P)	High		1.7%	-4.3%
Tues Dec 21	18:30	USD Durables Ex Transportation (NOV P)	Medium		0.3%	0.2%
Tues Dec 21	20:00	USD Personal Income (NOV)	Medium		0.3%	0.5%
Tues Dec 21	20:00	USD Personal Spending (NOV)	Medium		0.3%	0.6%
Tues Dec 21	20:00	USD PCE Core (YoY) (NOV)	High		1.9%	1.8%
Tues Dec 21	20:00	USD U. of Mich. Sentiment (DEC F)	Medium		97.5	97.5

Source: Forex Factory, DailyFX

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