

Commodity News

Wednesday, April 20, 2016



Gold

Technical

The gold market started out higher today when stocks opened lower, but then gave back its gains when the US Dollar strengthened. The problem with gold at this time is that it is not a leader. It is trading more reactive than proactive. Until it regains its leadership qualities, it is likely to drift like it has been doing. With the Dow and S&P 500 Index at all-time highs, gold should be sharply lower. However, it is being propped up by silver prices. If I heard right, investors are buying silver and selling gold because of the distortion in the historical ratio. That's not a reason to be bullish gold. So the challenge for the gold market at this time is to prove its worth as an investment. It needs to become a leading market rather than a following market in order to sustain itself.

Pivot:	1,247
Support	1,244
Resistance	1,259

Highlights

- Gold retained sharp overnight gains today in U.S session
- Disappointing U.S housing data dented the dollar and supported the Fed's cautious stance on interest rates
- Permits for future home construction hit a one year low
- The Dollar fell 0.5 percent against a basket of major currencies on Tuesday although it ticked higher early today
- Report from the Commerce Department continued the recent run of weak data

Gold - Technical Indicators

RSI 14	50.47
SMA 20	1,234.14
SMA 50	1,236.69
SMA 100	1,165.36
SMA 200	1,143.12

Gold Daily Graph



Source: Meta Trader

Fundamentals

- Gold prices eased today as a firmer dollar halted the previous day's rally, while silver held near an earlier 11-month peak, boosted by technical momentum and perceptions it is undervalued versus gold.
- Spot gold was down 0.2 percent at \$1,247.36 an ounce, off a one-week high of \$1,258.00 touched overnight. U.S. gold futures for April delivery were down \$4.90 an ounce at \$1,249.40.
- "Sentiment towards precious metals, particularly towards gold and silver, has been quite good both in the futures market and the ETF market, and that should help build a floor underneath prices.
- Fears about China sustained gold prices at the beginning of the year, but now that those have subsided, we're seeing other factors having a major impact: rising inflation expectations in the U.S and possibly negative rates in Japan. That should stimulate demand for gold.
- The dollar rose 0.1 percent against a currency basket on Wednesday, weighing on gold, while a 2 percent drop in oil prices fed into a softer tone across commodities.
- The weak data supported market sentiment that the Fed would find it hard to raise U.S. interest rates this year after hiking the overnight rates in December for the first time in nearly a decade. While futures markets imply no further hikes until December, Fed projections imply about two more hikes before year end.
- Gold is sensitive to rising interest rates, which lift the opportunity cost of holding non-yielding assets. Holdings in SPDR Gold Trust, the world's largest gold-backed exchange-traded fund, slid 7.43 tonnes to 805.03 tonnes on Tuesday, the biggest drop in a month. Persistent outflows could undermine the rally in gold prices.

US Commodity Futures Trading Commission (CFTC) Data

Date	Large Speculators			Commercial			Small Speculators			Open Interest
	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	
23- Feb-16	227381	82403	73%	120854	284003	30%	49448	31277	61%	384,974
01- Mar-16	223186	70773	76%	115571	287002	29%	51148	36,819	61%	450555
08- Mar-16	252895	78085	76%	116493	311865	27%	53520	32958	62%	499110
15- Mar-16	247659	78147	76%	118610	304141	28%	49810	33791	60%	493086
22- Mar-16	258646	79815	76%	127081	327075	28%	51562	30399	63%	510579

Source: CFTC

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Crude Oil

Technical

The WTI Crude Oil market rose during the day on Tuesday, breaking above the top of the hammer that had formed during the Monday session. It looks as if the market is trying to get towards the \$42 handle, which was so resistive just a few sessions ago. If the crude market can break above there, the market will more than likely reach towards the \$44 level. If the market can find a resistive candle between here and \$42, the market should turn things back around and perhaps reaching towards the \$40 level, and then eventually the \$38 level. Volatility will continue to be a mainstay when it comes to this market. The market will continue to focus on several different issues, so at this point in time the market players believe that it is more or less a short-term trader's type of opportunity, as the crude markets are trying rebalance the expectations.

Pivot:	40.12		
Support	39.50	38.44	37.60
Resistance	40.76	41.54	42.42

Highlights

- Oil prices fell today as investor focus returned to worries about oversupply after Kuwaiti workers ended a three-day strike
- Industry data showed U.S crude stockpiles rose last week, reinforcing concerns about the global surplus
- U.S crude was down 73 cents at \$40.35, after dipping below \$40
- Six supertankers have lined up at Kuwait's crude export terminal to load oil
- The end of the strike revived the bearish mood in investors

Crude - Technical Indicators

RSI 14	65.48
SMA 20	39.31
SMA 50	36.18
SMA 100	34.76
SMA 200	39.41

Crude Oil Daily Graph



Source: Meta Trader

Fundamentals

- Crude oil prices slumped on Wednesday after Kuwait oil workers called off a three-day strike, a key support that kept oil prices afloat after major global producers failed to agree to a production freeze last weekend.
- West Texas Intermediate crude oil for May which expires after the market settles on Wednesday, lost 87 cents, or 2.1%, to \$40.21 a barrel. The June contract gave up 76 cents, or 1.7%, to \$41.71. June Brent crude on London's ICE Futures exchange fell 69 cents, or 1.6%, to \$43.34 a barrel.
- Brent crude futures, the global benchmark, traded at \$43.72 a barrel, 81 cents, or 1.9 percent, above Monday's close. U.S. crude futures were up 64 cents, or 1.6 percent, at \$40.42 a barrel.
- According to Kuwait News Agency, the strike organizer Oil and Petrochemical Industries Workers Confederation said the strike was "overwhelmingly successful" through which participants displayed their "ability to affect the production process which was achieved."
- The strike reduced around 60% of the country's daily production to around 1.1 million barrels a day. The end of the strike removes one of the key supports that allowed prices to recover easily after the disappointing outcome of the Doha talks.
- Earlier in the week, prices rose as the market looked past the failure of a group of major oil producers to agree on an output freeze by focusing on supply outages around the world.
- Apart from Kuwait, disruptions in Iraq, Nigeria, and the North Sea also curtailed global output by around 750,000 barrels a day, roughly half the rate at which the total world supply is estimated to be growing. With oversupply back in focus, prices are likely to fall in the near term amid slower demand growth.

US Commodity Futures Trading Commission (CFTC) Data

Date	Large Speculators			Commercial			Small Speculators			Open Interest
	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	
23- Feb-16	458,206	105,441	81%	560,983	925,531	38%	82,700	70,917	54%	1,598,935
01- Mar-16	462,028	106,739	81%	557,217	927,085	38%	85,279	70,700	55%	1,615,844
08- Mar-16	454,829	123,816	79%	571,328	916,651	38%	87,594	73,282	54%	1,619,796
15- Mar-16	463,186	135,835	77%	560,029	897,400	38%	87,590	77,633	53%	1,623,027
22- Mar-16	473,506	133,457	78%	558,910	898,363	38%	79,121	79,717	50%	1,613,293

Source: CFTC

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Silver

Technical

The silver markets broke out to the upside during the course of the session on Wednesday, breaking above the top of the short-term resistance. The market touched the \$17 level, and formed a massively bullish candle. With this being the case, every time it pulls back you would have to believe that people will be looking to start buying again based upon value. We have no interest in shorting this market, as the silver market looks as if it's ready to continue a longer-term "buy-and-hold" type of move at this point in time. The short-term trend remains bullish above the April 13 low of \$16.02, which is the most recent swing low and is higher than the April 12 swing low of \$15.82. Potential support levels dictated by the Fibonacci retracement tool are \$16.78, \$16.64 and \$16.49. These levels are derived using the April 13 low of \$16.02 and yesterday's high of \$17.25 as reference points.

Pivot:	16.91		
Support	16.78	16.56	16.30
Resistance	17.36	17.59	17.76

Highlights

- Silver futures rallied yesterday, posting their highest finish in almost a year
- The U.S dollar-denominated metals getting a boost from weaker greenback
- Chinese demand fears have also receded and that has been especially helpful for silver
- Last week, hedge funds boosted their bets on silver, pushing the net long speculative position to a record
- Silver and gold often viewed as safety plays climbed even as stocks world-wide and other riskier assets advanced

Silver - Technical Indicators

RSI 14	63.83
SMA 20	15.47
SMA 50	15.38
SMA 100	14.77
SMA 200	14.88

Silver Daily Graph



Fundamentals

- Silver is poised to enter a bull market after prices jumped to a 10-month high and as investors pile into precious metals, with top forecasters' staying positive on gold.
- Silver advanced as much as 3.5% to the highest level since June and traded up 3% at \$16.7065 an ounce by 7:36 am in New York. A close at that level would mark the start of a bull market.
- Investors have been pouring cash into silver, known as the devil's metal because of its often wild price swings. Assets in exchange-traded funds are approaching a record and last month total holdings increased 5.3%, the biggest jump since 2010, according to data compiled by Bloomberg.
- Spot silver triggered stops once it breached the \$16.30 level, prompting heavy purchases. The dollar fell 0.2 percent against a basket of major currencies on Tuesday. Commodity currencies rose against the U.S. dollar, drawing support from oil prices which stabilised after a slide.
- Trading volume for silver in New York was almost triple the average for the time of day. The gains were amplified by big orders that triggered automated short-covering.
- Silver, which has more industrial uses than gold, has risen more than 20% this year and is the top asset in the Bloomberg Commodity Index. The gold-silver ratio, which measures the price of one divided by the other, fell to the lowest level this year.
- That recent divergence in price has sparked some buying in silver, as traders bet that the ratio between gold and silver will revert back to its average level. It's a phenomenon we noted in our Morning MoneyBeat column just last week. A high gold-to-silver ratio can also be seen among investors as a warning sign for the economy.

US Commodity Futures Trading Commission (CFTC) Data

Date	Large Speculators			Commercial			Small Speculators			Open Interest
	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	
23- Feb-16	42,097	29,999	58%	56,157	75,843	43%	23,121	15,533	60%	132,501
01- Mar-16	42,083	27,402	61%	54,280	79,052	41%	24,963	14,872	63%	132,475
08- Mar-16	41,285	23,950	63%	53,875	79,404	40%	23,378	15,184	61%	131,294
15- Mar-16	41,287	24,798	62%	58,869	83,678	41%	21,523	13,203	62%	136,158
22- Mar-16	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
Wed Apr 20	04:50	JPY Adjusted Merchandise Trade Balance (Yen) (MAR)	low	¥276.5b	¥450.0b	¥166.1b
Wed Apr 20	11:00	EUR German Producer Prices (YoY) (MAR)	low	-3.1%	-2.9%	-3.0%
Wed Apr 20	13:30	GBP Claimant Count Rate (MAR)	medium	2.1%	2.1%	2.1%
Wed Apr 20	13:30	GBP Jobless Claims Change (MAR)	medium	6.7k	-10.0k	-9.3k
Wed Apr 20	13:30	GBP ILO Unemployment Rate (3M) (FEB)	medium	5.1%	5.1%	5.1%
Wed Apr 20	13:30	GBP Employment Change (3M/3M) (FEB)	medium	20k	60k	116k
Wed Apr 20	14:00	CHF ZEW Survey (Expectations) (APR)	medium	11.5		2.5
Wed Apr 20	19:00	USD Existing Home Sales (MoM) (MAR)	medium		3.5%	-7.1%
Wed Apr 20	19:30	USD DOE U.S. Crude Oil Inventories (APR 15)	medium			6634k

Source: *Forex Factory, DailyFX*

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Contact Details

IGI Commodity Team

Karachi Office

Tel: (+92-21) 35301392	Cell: 0321-4499228	igi.commodity@igi.com.pk
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Lahore Office

Zaeem Haider Khan	Tel: (+92-42) 35777863-70	Cell: 0321-4772883	zaeem.haider@igi.com.pk
Syed Zeeshan Kazmi	Tel: (+92-42) 35777863-70	Cell: 0321-4499228	zeeshan.kazmi@igi.com.pk
Ehsan Ull Haq	Tel: (+92-42) 35777863-70	Cell: 0321-4861015	ehsan.haq@igi.com.pk

Islamabad Office

Muhammad Naveed	Tel: (92-51) 2604861-62	Cell: 0345-5599900	muhammad.naveed@igi.com.pk
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Faisalabad Office

Gul Hussain	Tel: (92-41) 2540843-45	Cell: 0344-7770878	gul.hussain@igi.com.pk
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Rahim Yar Khan Office

Laiq Ur Rehman	Tel: (+92-68) 5871653-55	Cell: 0300-8670967	laiq.qureshi@igi.com.pk
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IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited | Corporate member of Pakistan Mercantile Exchange Limited

Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,
Khayaban-e-Jami Block-09, Clifton, Karachi-75600
UAN : (+92-21) 111-444-001 | (+92-21) 111-234-234
Fax : (+92-21) 35309169, 35301780
Website : www.igisecurities.com.pk

Lahore Office

5-F.C.C. Ground Floor, Syed Maratib Ali
Road, Gulberg II, Lahore
Tel : (+92-42) 35777863-70, 35876075-76
Fax : (+92-42) 35763542

Islamabad Office

Mezzanine Floor Razia Sharif Plaza,
90-Blue Area G-7, Islamabad
Tel : (+92-51) 2802241-42, 2273439, 2273443
Fax : (+92-51) 2802244

Faisalabad Office

Room #: 515-516, 5th Floor, State Life
Building, 2- Liaqat Road, Faisalabad
Tel : (+92-41) 2540843-45
Fax : (+92-41) 2540815

Stock Exchange Office

Room # 719, 7th Floor, KSE Building
Stock Exchange Road, Karachi
Tel : (+92-21) 32429613-4, 32462651-2
Fax : (+92-21) 32429607