

Gold

Technical

Gold markets rallied slightly at the open on Monday, but not anything to speak of his far strength is concerned. Because of this, I think it's only a matter of time before the sellers return and punish gold yet again. The strengthening US dollar of course works against the value of precious metals overall, and this of course will be one of the underlying factors of gold weakness. Beyond that, we have been in a downtrend anyway, and there is quite a bit of bearish pressure above. I see no real support until we get to the \$1100 level, and that is probably going to be temporary at best. I'm very bearish gold now. Support is seen near the December lows at 1,222, while resistance on the yellow metal is seen near the 10-day moving average at 1,153. Momentum has turned negative as the MACD (moving average convergence divergence) index recently generated a sell signal.

Pivot:	1,139		
Support	1,132	1,127	1,122
Resistance	1,144	1,151	1,155

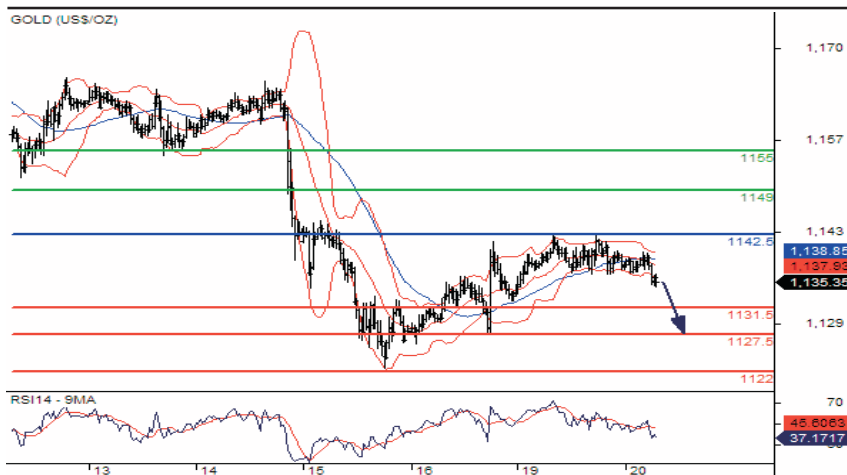
Highlights

- Gold finished higher yesterday after suffering a sixth weekly loss in a row
- Precious metals trading continues to track dollar gains and the stock market's cautious push deeper into record territory
- Gold rose \$5.30, or 0.5%, to close at \$1,142.70 an ounce yesterday
- The Dollar Index which shot to a 14-year high last week, fluctuated between slight gains and losses
- Looking ahead, some investors are cautiously optimistic for the yellow metal

Gold - Technical Indicators

RSI 14	32.02
SMA 20	1,176.96
SMA 50	1,226.70
SMA 100	1,267.14
SMA 200	1,283.88

Gold Daily Graph



Source: Meta Trader

Fundamentals

- Gold fell today after deadly incidents in Germany and Turkey failed to spur safe-haven buying, with markets focused on the possibility of further U.S. interest rate hikes next year.
- The Russian ambassador to Turkey was shot in the back and killed as he gave a speech at an Ankara art gallery on Monday by an off-duty police officer. Later, a truck ploughed into a crowded Christmas market in central Berlin, killing 12 people and injuring 48 others in what the city's police have said was a suspected terrorist attack.
- Optimistic remarks on the U.S. labour market by Federal Reserve Chair Janet Yellen strengthened the possibility of further rate hikes next year. In the absence of any major U.S. macro numbers scheduled to be released on Tuesday, we do not expect to see gold doing much of anything over the short-term.
- Gold needs to see signs of economic instability to push up, but that is unlikely in the current environment of rising global equity markets, stronger U.S. growth and a firmer dollar.
- The dollar index, which measures the greenback against a basket of currencies, was up 0.2 percent at 103.390. Spot gold had fallen half a percent to \$1,133.10 an ounce, after closing up in the two previous sessions. U.S. gold futures dropped 0.7 percent to \$1,135.20 per ounce.
- The current economic scenario favours investments into assets offering higher yields. As the Fed is projecting three interest rate hikes in 2017, gold prices will remain turbulent and susceptible to rising interest rates and bond yields. Rising interest rates lower demand for non-interest-paying bullion.
- The economic data coming out of the U.S. could push prices down. But, the physical demand has been phenomenal. So, it can't get too much lower with the kind of demand we are seeing.

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 did almost nothing on Monday, as traders have come back from the weekend. There is a lot of confusion in the marketplace right now because some traders believe that the OPEC and non-OPEC countries deciding to cut oil production should have a massive effect on pricing power. However, there still seems to be a lot of concern about the oversupply, especially now that shale oil producers in Canada and United States will almost undoubtedly step back to take advantage of higher pricing. Because of this, I anticipate a lot of volatility and probably quite a bit of trepidation when it comes to trading this market between now and New Year's Day. This is a market that has quite a bit of support at the \$50 level, so if we could break down below there, that would be a very negative turn of events. We also have a significant amount of resistance at the \$54.50 level.

Pivot:	52.34		
Support	51.50	50.90	50.50
Resistance	53.25	53.65	54.50

Highlights

- U.S. West Texas Intermediate was around \$52 a barrel today in Asian session while Brent crude was around \$55 a barrel
- Gains in prices will spur the resurgence of independent U.S. shale production
- A week ago, oil prices climbed to a 17-month high after the OPEC agreed to cut almost 1.8 million bpd in oil output
- Speculators raised their holdings of crude oil futures to a record high last week
- Some analysts expect oil prices to stay strong into early 2017

Crude - Technical Indicators

RSI 14	60.91
SMA 20	49.41
SMA 50	48.14
SMA 100	47.51
SMA 200	46.94

Crude Oil Daily Graph



Source: Meta Trader

Fundamentals

- Oil prices were steady today in timid trading ahead of the year-end holidays, with investors beginning to unwind positions without expecting to take up new ones until the start of 2017.
- U.S. West Texas Intermediate crude oil futures were down 17 cents at \$51.95 per barrel. Investors are squaring their books ahead of the upcoming Christmas weekend and the week running up to New Year.
- As a result, and barring major price-moving news, markets would likely remain tepid this week. I think we can safely say that pending any dramatic headline we will bounce around the \$54-\$56 (per barrel) range on Brent until year-end.
- A light news week and the run-in to the holiday season were keeping markets quiet. Reports late on Monday that Saudi Arabian crude oil exports fell by 176,000 barrels per day (bpd) in October had initially supported markets, but the effect later fizzled out due to an increase in Saudi exports of refined fuel products.
- It is expected a Saudi crude export cut to largely affect light crude oil grades, which mostly go to the United States. We think it is likely that the Saudis will curtail production/exports of their Arab Light crude and other lighter crudes this spring, easing the typical pre-summer ramp up in shipments to the U.S.
- Saudi Arabia's rising refined product output is part of a wider trend that affects mostly Asia. Asia is seen posting its biggest net refining capacity additions in three years in 2017, further boosting demand for crude in the world's biggest and fastest growing oil consuming region.
- The increase amounts to about an additional 1.5 percent of refining capacity on top of Asia's total installed capacity of nearly 29 million bpd. Still, traders see no outright supply shortage for Asian refineries, as OPEC is shielding most of its Asian customers from the planned cuts.

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

Silver markets initially gained at the beginning of the yesterday's trading session, but turned around to test the \$16 level again later in U.S session. This is a market that seems to be attracting sellers every time it rallies, and that of course makes sense because the US dollar has been so strong. With this being the case, I more than willing to sell short-term rallies, and I believe that the silver markets going to reach down towards the \$15 level over the longer term. I have no interest in buying this market until we break above the \$17 level, something that doesn't look very likely. A sudden drop from \$17 to \$16 put silver back in the flip level test. There was a rally early during the New York session as the dollar dipped below 117.00 and US Treasury prices also rallied with the 10-year yield below 2.55%, but silver gains towards the \$16.20 area were not sustained.

Pivot:	16.07		
Support	15.95	15.85	15.70
Resistance	16.25	16.35	16.45

Highlights

- Silver was unable to take advantage of global fundamentals with a weaker dollar against the yen and dip in bond yields
- Silver drifted lower with the trend continuing as risk appetite stabilised
- Silver also struggled to gain any support from a corrective recovery in gold prices
- The US flash PMI services-sector data was weaker than expected with a decline to 53.4 from 54.6 previously
- Trends in the Dollar and bond yields will continue to have an important underlying impact on silver

Silver - Technical Indicators

RSI 14	52.89
SMA 20	16.74
SMA 50	17.29
SMA 100	18.03
SMA 200	18.16

Silver Daily Graph



Source: Meta Trader

Fundamentals

- Silver prices declined yesterday, as demand for precious metals remained soft in the wake of the US Federal Reserve's first interest rate hike of the year. March silver futures were down 13 cents, or 0.8%, at \$16.09 a troy ounce. The futures price was trading near session lows.
- Silver prices declined 4.4% last week, including a more than 7% plunge on Thursday following the Federal Open Market Committee rate decision. The US dollar held steady after powering to new highs last week.
- The US dollar index was last seen trading just below 103.00. A stronger dollar tends to weaken demand for precious metals, which are themselves priced in the US currency.
- Precious metals were rocky Monday despite weaker demand for global equities. Asian equity markets were down across the board, with mainland China's Shanghai Composite Index slipping 0.2%.
- In economic data, German business confidence surged to 34-month highs in December, signaling renewed momentum in Europe's largest economy. The Munich-based IFO institute said its business climate index, which is based on a survey of around 7,000 firms, rose to 111.0 from 110.4 in November.
- Earlier in the day, the Japanese government reported trade figures that were better than forecast. Yen-denominated exports declined by just 0.4% in the 12 months through November, a far smaller drop than the 10.3% contraction of October.
- The U.S Dollar drifted weaker against the Yen in yesterday's trading session with a test of support close to 117.00, but the potential support for silver was offset by a stronger US currency against major European pairs. Silver drifted lower during the Asian session with the trend continuing into Europe as risk appetite stabilised.

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	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

Tuesday, December 20, 2016



Data Calendar

Economic Data

Date	Time	Event	Importance	Actual	Forecast	Previous
Tue Dec 20	07:51	JPY BOJ Policy Rate (DEC 20)	High		-0.100%	-0.100%
Tue Dec 20	07:51	JPY BOJ Monetary Policy Statement	High			
Tue Dec 20	11:30	JPY BOJ governor press conference	High			
Tue Dec 20	12:00	CHF Trade Balance (Swiss franc) (NOV)	Medium		3.56b	2.68b
Tue Dec 20	12:00	EUR German Producer Prices (YoY) (NOV)	Low		-0.2%	-0.4%
Tue Dec 20	17:00	NZD Dairy Auction Avg. Winning Price MT (DEC 20)	Medium			\$3,622
Tue Dec 20	17:00	NZD Dairy Auction Whole Milk Powder MT (DEC 20)	Medium			\$3,593
Tue Dec 20	18:30	CAD Wholesale Sales (MoM) (OCT)	Low		0.6%	-1.2%
Tue Dec 20	19:00	CNY Conference Board China November Leading Economic Index	Medium			

Source: Forex Factory, DailyFX

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