

Gold

Technical

Gold prices consolidated yesterday ahead of the Fed and the BoJ after Markit reported a softer than expected PMI flash report for July. Resistance on the yellow metal is seen near the 10-day moving average at 1,328. Support is seen near 1,310. Momentum remains negative as the MACD (moving average convergence divergence) index prints in the red with a downward sloping trajectory which points to lower prices. U.S. Markit services PMI fell 0.5 points to 50.9 in the flash July reading, after inching up to 51.4 in June from 51.3 in May. It was at 55.7 a year ago. The numbers indicate the service sector remains in expansion for a 5th straight month, but only marginally, after slipping to 49.7 in February. The employment component rose to 52.6 from 52.4. The composite index edged up 0.3 points to 51.5 versus 51.2 in June and 50.9 in May.

| | | | |
|------------|-------|-------|-------|
| Pivot: | 1,318 | | |
| Support | 1,312 | 1,304 | 1,300 |
| Resistance | 1,330 | 1,334 | 1,338 |

Highlights

- Gold prices ended higher yesterday as traders awaited the outcome of the Federal Reserve's July policy meeting
- Gold settled up 0.1% at \$1320.80 a troy ounce on the Comex division
- Gold traded as low as \$1,317.50 and as high as \$1,322.50 on during the session
- A weaker U.S dollar helped support gold prices
- Markets are focused on the Fed's policy meeting that started yesterday where investors will look for clues

Gold - Technical Indicators

| | |
|---------|----------|
| RSI 14 | 48.26 |
| SMA 20 | 1,324.02 |
| SMA 50 | 1,339.74 |
| SMA 100 | 1,302.32 |
| SMA 200 | 1,210.66 |

Gold Daily Graph



Source: Meta Trader

Fundamentals

- Gold edged slightly lower today in Asian session as the dollar and equities firmed ahead of the US Federal Reserve's policy decision due later in the day when it is expected to keep interest rates unchanged.
- The Fed is likely to defer any possible increase until September or December, as policymakers hold out for more evidence of a pickup in inflation. Asian stocks settled near one-year highs today while the safe-haven yen slumped after Japan's government announced a larger-than-expected economic stimulus package, which led most of the region's bourses higher.
- The dollar was up 1 percent against the yen, after falling 1.1 percent in the previous session, on expectations of significant monetary stimulus by the Bank of Japan later in the week.
- Spot gold slipped 0.1 percent to \$1,317.96 an ounce. Bullion rose 0.4 percent yesterday. US gold fell 0.2 percent to \$1,317.90 an ounce. Prices are going to remain on the sidelines leading into the meeting. Certainly, the pricing on the probability of a hike is probably low.
- Investors are mindful of the macro environment, which is broadly positive. For the moment, it is a wait and see environment. US consumer confidence held steady in July and new single-family home sales hit their highest level in nearly 8-1/2 years in June, suggesting sustained momentum in the economy that could allow the Fed to raise interest rates this year.
- Gold is highly sensitive to rising rates, which lift the opportunity cost of holding non-yielding assets such as bullion, while boosting the dollar in which the precious metal is priced.
- Holdings in SPDR Gold Trust, the world's largest gold-backed exchange-traded fund, fell 0.46 percent to 954.24 tonnes on Tuesday. Spot gold is biased to break a support at \$1,313 per ounce and fall towards the next support at \$1,298.

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

Crude continued its sell-off, touching new four-month lows of 42.36. Renewed supply glut concerns have been the driver of the most recent downturn, as shuttered U.S. oil rigs come back on line, and as inventories remain persistently high. Support now comes in at the April 26 low of 42.50. Gasoline have made their way to near five-month lows, driving crude down, on slowing demand growth, and unseasonably high inventory levels. Support on crude oil prices is seen near the April lows at 40.36, while resistance is seen near the 20-day moving average at 46.45. The RSI (relative strength index) broke through support reflecting accelerating negative momentum, while printing a reading of 35, which is on the lower end of the neutral range. The market has broken down, and is getting ready to make a relatively significant move in my estimation.

| | | | |
|------------|-------|-------|-------|
| Pivot: | 42.87 | | |
| Support | 42.37 | 41.70 | 40.60 |
| Resistance | 43.40 | 44.40 | 44.95 |

Highlights

- Oil prices stuck close to three-month lows yesterday, with West Texas Intermediate crude settling under \$43 a barrel
- Investors continued to fret over the prospect of more U.S oil-drilling activities
- September crude fell by 21 cents, or 0.5%, to settle at \$42.92 a barrel
- The market awaits the latest data on U.S. petroleum supplies due out today from the Energy Information Administration
- For an extended period, oil has remained fundamentally bearish

Crude - Technical Indicators

| | |
|---------|-------|
| RSI 14 | 33.37 |
| SMA 20 | 45.27 |
| SMA 50 | 47.43 |
| SMA 100 | 45.72 |
| SMA 200 | 40.33 |

Crude Oil Daily Graph



Source: Meta Trader

Fundamentals

- U.S crude prices fell in yesterday's trading session, hitting three-month lows, on renewed worries of a glut while Brent settled higher due to its better fundamentals versus U.S crude.
- Trade group American Petroleum Institute (API) said after the market's settlement that U.S crude stockpiles fell by 827,000 barrels last week, compared with expectations for a drawdown of 2.3 million barrels.
- Official inventory data for the week ended July 22 is due today from the U.S. Energy Information Administration (EIA). The API data suggests there's still an oversupply of crude, that there's no particular indication of any sort of build in demand and that refiners can't go on making gasoline from crude because they're running out of places to put them.
- Gasoline stockpiles fell by 423,000 barrels, API reported, compared with analysts' expectations for a 36,000-barrel gain. U.S crude's West Texas Intermediate (WTI) futures settled down 21 cents, or 0.5 percent, at \$42.92 a barrel. It extended losses after the release of the API data, sliding more than 1 percent. During the session, WTI fell to as low as \$42.36 earlier, its lowest since April 20.
- Oil prices are still up more than 60 percent from 12-year lows of around \$27 a barrel hit by Brent and about \$26 struck by U.S. crude in the first quarter. But the rally has faded since the two benchmarks breached \$50 in May, amid worries oil may be headed again for a glut like that which forced prices off from highs above \$100 in mid-2014.
- Oil major BP (BP.L) announced lower-than-expected profit and said its refining margins were the weakest for a second quarter in six years. Chief Executive Officer Bob Dudley said it may take 18 months or so to work off the market's stock overhang.

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 went back and forth during the course of the session on Tuesday, breaking slightly above the top of the hammer from the Monday session. Because of this, looks as if the market is ready to continue to go back and forth in this overall consolidation area, which reaches all the way to the \$20.50 level. At this point in time, it looks as if the buyers are going to start getting involved again, perhaps pushing at least to that level, or even breaking above that level for the longer-term move going forward. Looking at silver through the lens of an intra-day chart: It has found support twice right around 19.20, however, top-side trend-line resistance is keeping it from making any advances. With silver stuck between the two we will focus on which one it breaks for short-term guidance. Today FOMC meeting is scheduled, with the rate decision and policy statement.

| | | | |
|------------|-------|-------|-------|
| Pivot: | 19.55 | | |
| Support | 19.30 | 19.19 | 19.00 |
| Resistance | 19.85 | 20.10 | 20.25 |

Highlights

- The spike-and-reverse from earlier in the month acted as an exhaustion-move ending the sharp rise
- It remains to be seen what the long-term impact of Brexit will be
- Top-side trend-line resistance is keeping it from making any advances
- Silver has found support twice right around 19.20
- Today the two-day FOMC meeting will come to an end, with the rate decision and policy statement

Silver - Technical Indicators

| | |
|---------|-------|
| RSI 14 | 54.10 |
| SMA 20 | 19.99 |
| SMA 50 | 18.40 |
| SMA 100 | 17.49 |
| SMA 200 | 16.05 |

Silver Daily Graph



Source: Meta Trader

Fundamentals

- Silver futures traded slightly higher yesterday, as precious metals consolidated ahead of the Federal Reserve's policy decision today. Silver for September delivery advanced 8 cents or 0.4% to \$19.73 a troy ounce on the Comex division of the New York Mercantile Exchange.
- The grey meal traded within a range of \$19.49-\$19.80 through the overnight session. Since reaching more than two-year highs earlier this month, silver futures have declined around 3.3%.
- Precious metals were consolidating higher as investors awaited fresh trading catalysts in the coming days. The gold/silver ratio used by investors to determine when to buy and sell precious metals reached a daily high of 67.54. Gold's premium over silver has increased in recent weeks as the grey metal continued to retreat from multi-year highs.
- The US dollar, which normally trades inversely with precious metals, declined for a second consecutive day as demand for the Japanese yen returned. The dollar index, which tracks the performance of the US currency against a basket of six rivals, slipped 0.2% to 97.07.
- In addition to the Fed statement on Wednesday, a deluge of economic data will also make headlines. The Reserve Bank of Australia (RBA) will release its quarterly consumer price index (CPI) report. Analysts believe that the strength of Australian inflation will determine whether the RBA continues lowering interest rates at next month's meeting.
- In Europe, market research firm GfK will release its forward-looking gauge of German consumer confidence. Meanwhile, the UK Office for National Statistics will release preliminary second quarter GDP figures. In the United States, durable goods orders will make headlines. Orders for manufactured goods meant to last three years or more is projected to fall 1.1%. Excluding transportation equipment, orders are forecast to rise 0.3%.

US Commodity Futures Trading Commission (CFTC) Data

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|-----------|-------------------|--------|---------|------------|--------|---------|-------------------|--------|---------|---------------|
| | 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, July 27, 2016



Data Calendar

Economic Data

| Date | Time | Event | Importance | Actual | Forecast | Previous |
|------------|-------|---|------------|--------|----------|----------|
| Wed Jul 27 | 06:30 | AUD Consumer Prices Index (YoY) (2Q) | High | 1.0% | 1.1% | 1.3% |
| Wed Jul 27 | 11:00 | EUR German GfK Consumer Confidence Survey (AUG) | Medium | 10.0 | 9.9 | 10.1 |
| Wed Jul 27 | 11:00 | CHF UBS Consumption Indicator (JUN) | Medium | 1.34 | | 1.24 |
| Wed Jul 27 | 13:30 | GBP Gross Domestic Product (YoY) (2Q) | High | 2.2% | 2.1% | 2.0% |
| Wed Jul 27 | 16:00 | USD MBA Mortgage Applications (JUL 22) | Medium | | | |
| Wed Jul 27 | 17:30 | USD Durable Goods Orders (JUN) | High | | -1.1% | -2.3% |
| Wed Jul 27 | 19:00 | USD Pending Home Sales (YoY) (JUN) | Medium | | 3.0% | 2.4% |
| Wed Jul 27 | 19:30 | USD DOE U.S. Crude Oil Inventories (JUL 22) | Medium | | | |
| Wed Jul 27 | 23:00 | USD FOMC Rate Decision (JUL 27) | High | | 0.50% | 0.50% |

Source: Forex Factory, DailyFX

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