

# Commodity Outlook

Tuesday, March 01, 2016



## Gold

### Technical

Gold markets initially fell during the course of the session on Monday, but found enough support below the \$1220 level to turn things back around and form a slightly positive candle. With that being the case, looks as if we are still within the triangle that has been the highlight of recent consolidation. At this point in time, we believe that the markets are simply trying to build up enough momentum to finally break out to the upside again and continue the longer-term uptrend. Pullbacks will be bought and of course so will breakouts to the upside at this point in time.

Pivot:	1,244		
Support	1,225	1,215	1,207
Resistance	1,254	1,264	1,276

### Recommendation

Buy positions above 1225.00 with targets at 1254.00 and 1264.00 in extension

### Highlights

- Gold advanced, posting the biggest monthly gain in four years, as demand for haven assets spurs buying in bullion-backed funds
- Holdings in the SPDR Gold Shares, climbed to the highest since March on Friday
- Speculation that the U.S Federal Reserve will be slow to tighten monetary policy further has also boosted the appeal of gold
- Gold futures for April delivery climbed 1.1 percent to settle at \$1,234.40 an ounce
- Gold has gained about 11 percent this month the biggest rise since January 2012

### Gold - Technical Indicators

RSI 14	66.08
SMA 20	1,211.87
SMA 50	1,143.46
SMA 100	1,114.56
SMA 200	1,127.97

### Gold Daily Graph



Source: Meta Trader, IGI Research

### Fundamentals

- Gold jumped for a fifth consecutive session in six today, bolstered by safe-haven demand after weak Chinese data stoked concerns over the global economy, with the volume of assets in the top bullion fund climbing to the highest since 2014.
- Spot gold had gained 0.6 percent to \$1,244.90 an ounce. U.S gold futures rose nearly 1 percent to \$1,246. Gold is biased to edge up to a key resistance at \$1,260, the metal's one-year peak hit last month.
- Activity in China's manufacturing sector shrank more sharply than expected in February, surveys showed on Tuesday, prompting smaller companies to shed workers at the fastest pace in seven years and suggesting Beijing will have to ramp up stimulus to avoid a deeper economic slowdown.
- The surveys followed a move overnight by the Chinese central bank to cut the reserve requirement ratio and resume its easing cycle. Weak data globally is adding to concerns over a slowdown and that is helping gold.
- Gold, which logged its best month in four years in February with a 10.8-percent gain, has been one of the best performing assets this year amid turmoil in the wider markets. Global economic concerns have prompted investors to channel money into gold.
- Downbeat U.S. data on Monday revived concerns about the strength of the economy. Contracts to buy previously owned U.S. homes fell to their lowest level in a year in January, while the Chicago Purchasing Managers Index - a leading indicator of the U.S. economy - contracted to 47.6 in February.
- Assets of SPDR Gold Trust, the world's top gold ETF, rose 1.95 percent to 777.27 tonnes on Monday, the highest since September 2014. The asset increase in the fund so far this year is the highest since 2010.

### 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- June-15	135,390	108,051	56%	188,511	215,209	47%	36,847	37,668	49%	384,974
30- June-15	137,182	104,959	57%	182,101	215,122	46%	37,617	36,819	51%	379,550
07- July-15	139,124	100,357	58%	179,334	221,218	45%	38,246	35,249	52%	383,201
14- July-15	145,857	101,844	59%	199,650	244,905	45%	37,217	35,975	51%	415,426
21- July-15	146,018	99,435	59%	200,101	246,192	45%	36,635	37,127	50%	410,959

Source: CFTC, IGI Research

# Commodity Outlook

Tuesday, March 01, 2016



## Crude Oil

### Technical

Oil market initially fell yesterday, but found the \$32 level to be supportive enough to turn things back around. By doing so, it looks as if the \$34 level above could be the beginning of pretty significant resistance. After all, during the Friday session the \$35 level offered enough resistance to turn the market around completely and form a shooting star. We still believe in the longer-term downtrend of the oil market, but there are a lot of moving pieces and headlines coming across the wires that suggests that OPEC members are starting to perhaps agree on production cuts.

Pivot:	33.70		
Support	32.30	31.60	31.05
Resistance	34.70	35.60	36.30

### Recommendation

Buy positions above 32.30 with targets at 34.70 and 35.60 in extension

### Highlights

- U.S oil prices rose on Monday after China moved to boost its slowing economy
- Saudi Arabia pledged to work with other crude producers to limit market volatility, feeding hopes the oil selloff would end
- The Organization of the Petroleum Exporting Countries pumped less crude this month than in January
- U.S crude futures settled at \$33.75 a barrel, up 2.96 percent, or 97 cents
- China, the world's largest oil importer, on Monday cut its reserve requirement ratio

### Crude - Technical Indicators

RSI 14	54.60
SMA 20	30.83
SMA 50	31.74
SMA 100	36.19
SMA 200	42.25

### Crude Oil Daily Graph



Source: Meta Trader, IGI Research

### Fundamentals

- Oil prices rose over 1 percent on Tuesday, shrugging off a slump in China's manufacturing sector that stirred fears of slowing demand growth, with markets instead focusing on a fall in U.S. and OPEC output that might tighten an otherwise bloated market.
- U.S. crude futures CLc1 were trading at \$34.22 per barrel, up 47 cents from their last settlement. Prices are up 30 percent from Feb. 11, when the contract dropped to an intra-day low of \$26.05 a barrel, the lowest since 2003.
- A break above \$34 would add to the view for some that the bottom in the crude oil market is now in place. International benchmark Brent crude futures were up 40 cents at \$36.97 per barrel, and up over 20 percent since Feb. 11.
- Prices initially slumped in Asian trading after China published surprisingly weak manufacturing data, but traders said the market later focused on more bullish oil supply and demand fundamentals, especially dipping production in the United States and the Organization of the Petroleum Exporting Countries (OPEC).
- U.S. government data this week showed crude output last December fell for a third straight month by 43,000 barrels per day (bpd) to 9.26 million bpd, its lowest in a year. Although average annual 2015 crude production of 9.43 million bpd was still 720,000 bpd above the previous year.
- Supply from OPEC has also declined, falling by 280,000 bpd in February to 32.37 million bpd, according to a Reuters survey based on shipping data and information from sources at oil companies, OPEC as well as from consultants.
- However, weak economic data out of China and the prospect of slowing oil demand growth prevented more price rises. Crude oil demand growth appears to be slowing. China's factories shed jobs at the fastest rate in seven years in February as activity shrank to five-month lows.

### 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- June-15	458,206	105,441	81%	560,983	925,531	38%	82,700	70,917	54%	1,598,935
30- June-15	462,028	106,739	81%	557,217	927,085	38%	85,279	70,700	55%	1,615,844
07- July-15	454,829	123,816	79%	571,328	916,651	38%	87,594	73,282	54%	1,619,796
14- July-15	463,186	135,835	77%	560,029	897,400	38%	87,590	77,633	53%	1,623,027
21- July-15	473,506	133,457	78%	558,910	898,363	38%	79,121	79,717	50%	1,613,293

Source: CFTC, IGI Research

# Commodity Outlook

Tuesday, March 01, 2016



## Silver

### Technical

Silver markets initially fell after gapping higher. We found quite a bit of support at the \$14.60 level though, and therefore bounced enough to form a nice-looking hammer. The hammer of course is a very bullish sign, and therefore we are very interested in going long of silver as it has recently broken out to the upside, pulled back to test the previous resistance at the \$14.60 level, which should in theory now be support. If we break above the top of the candle, it's very likely that we will go to the \$15.20 level first, and then eventually try to reach all the way to the \$16 level after that.

Pivot:	14.92		
Support	14.58	14.38	14.25
Resistance	15.00	15.18	15.32

### Recommendation

Sell positions below 15.00 with targets at 14.58 and 14.38 in extension

### Highlights

- Silver recovered after Chinese equities tanked in the morning session
- The surprise move by the PBOC to sure up their currency and the markets did little to help trader's calm fears
- Turmoil across global equity and currency markets spurred speculation that the Federal Reserve will stand pat on rates
- As silver advanced and economists boosted price targets
- The next five years could look much like the last 20 years

### Silver - Technical Indicators

RSI 14	49.10
SMA 20	15.17
SMA 50	14.52
SMA 100	14.47
SMA 200	14.87

### Silver Daily Graph



Source: Meta Trader, IGI Research

### Fundamentals

- The silver spot price today is up \$0.19 to \$14.86. This is great to see after the past week as silver gave up a little ground. Though it hasn't been a major retreat, the price of silver is off about 2% as the investment attention has been focused on gold.
- With stocks and oil bouncing from their recent retreat, and the U.S. dollar doing so as well, they've weighed on silver. Still, silver is ahead about 8.5% year to date, nearly a 13% outperformance of the S&P 500, which has lost just over 4%.
- After ending the previous trading week around \$15.30, the silver spot price backed off at the start of last week. Silver opened in NY trading on Monday, Feb. 22, at \$15.05 and climbed to close at \$15.15 – below its previous week's close.
- Today, silver opened at \$15.18 and moved slowly higher to close at \$15.26. But on Wednesday, the precious metal opened around \$15.30 and then retreated to close at \$15.21.
- The recovery of the USD, equities suggested the markets have taken a pause of the talk over the global economic woes. And even the chances of a Fed rate hike this year picked up: If a couple of weeks ago the market estimated nary a hike in 2016, last time the odds grew to a possible single rate raise by December.
- But it's worth noting that the recent recovery may not last long especially if the economic data coming from the U.S. and China disappoint. The long term interest rates are still coming down, which will help keep up silver.
- There are widespread concerns that the US economy is sliding into a recession. However, the indicators due out next week, are more likely to show a robust, if unspectacular, US 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- June-15	42,097	29,999	58%	56,157	75,843	43%	23,121	15,533	60%	132,501
30- June-15	42,083	27,402	61%	54,280	79,052	41%	24,963	14,872	63%	132,475
07- July-15	41,285	23,950	63%	53,875	79,404	40%	23,378	15,184	61%	131,294
14- July-15	41,287	24,798	62%	58,869	83,678	41%	21,523	13,203	62%	136,158
21- July-15	41,334	26,466	62%	60,600	84,551	42%	21,666	13,583	61%	139,468

Source: CFTC, IGI Research

# Commodity Outlook

Tuesday, March 01, 2016



## Data Calendar

### Economic Data

Date	Time	Event	Importance	Actual	Forecast	Previous
Tue Mar 01	04:30	JPY Jobless Rate (JAN)	medium	3.2%	3.3%	3.3%
Tue Mar 01	06:00	CNY Manufacturing PMI (FEB)	high	49.0	49.4	49.4
Tue Mar 01	06:00	CNY Non-manufacturing PMI (FEB)	high	52.7		53.5
Tue Mar 01	08:30	Reserve Bank of Australia Rate Decision (MAR 1)	high	2.00%	2.00%	2.00%
Tue Mar 01	13:15	CHF Retail Sales (Real) (YoY) (JAN)	medium	0.2%		-1.7%
Tue Mar 01	13:30	CHF PMI Manufacturing (FEB)	medium	51.6	49.6	50.0
Tue Mar 01	13:55	EUR German Unemployment Change (FEB)	high	-10k	-10k	-19k
Tue Mar 01	18:30	CAD Gross Domestic Product (YoY) (DEC)	high		0.0%	0.2%
Tue Mar 01	20:00	USD ISM Manufacturing (FEB)	high		48.5	48.2

Source: Forex Factory, IGI Research

