

Commodity Outlook

Wednesday, March 23, 2016



Gold

Technical

Gold markets rose during the course of the session on Tuesday, using the \$1240 level for support. By doing so, we bounced towards the \$1260 level, which has been a bit of resistance in the past. Ultimately, we feel that the market should continue to go higher, perhaps reaching as high as the \$1280 level, which has been a massive resistance barrier. Ultimately though, we believe that this market does break above there, and in the meantime we are simply just bouncing around and trying to build up enough momentum to finally go up and beyond that barrier.

Pivot:	1,236		
Support	1,225	1,220	1,211
Resistance	1,249	1,260	1,266

Recommendation

Sell positions below 1249.00 with targets at 1225.00 and 1220.00 in extension

Highlights

- Gold prices pared gains yesterday, as a stronger dollar undercut a rally that followed terror attacks in Brussels
- Gold for April delivery closed up 0.4% at \$1,248.60 a troy ounce
- Explosions rocked Brussels' international airport and a subway station near European Union institutions yesterday
- People were quick to take profits as the day went on, and the dollar strengthened
- Market reactions to terror attacks tend to be short-lived

Gold - Technical Indicators

RSI 14	48.73
SMA 20	1,251.02
SMA 50	1,203.41
SMA 100	1,140.05
SMA 200	1,133.49

Gold Daily Graph



Source: Meta Trader, IGI Research

Fundamentals

- Gold rose yesterday as investors sought assets seen as havens from risk after deadly bomb attacks hit Brussels airport and a rush-hour Metro train in the Belgian capital.
- The attacks killed more than 30 people and triggered security alerts across Europe that brought some cross-border traffic to a halt. Spot gold rallied to a high of \$1,259.60 an ounce in the wake of the attacks, and was 0.9 percent higher at \$1,254.35 an ounce. US gold futures for April delivery were up \$11.20 an ounce at \$1,255.40.
- Gold had fallen for three sessions in a row before Tuesday on uncertainty over the path of US interest rates. Speculation rates would rise pushed gold down 10 percent last year but it has rebounded 20 percent so far in 2016 as those fears faded.
- Particularly in the US, this slow normalisation of the economy should result in a grind higher in real interest rates and cap the attractiveness of precious metals as an investment
- Higher interest rates increase the holding costs of gold, which is a non-interest bearing asset. Prices have been trading in a narrowing band of \$1,240-\$1,270 for the past week.
- Atlanta Federal Reserve President Dennis Lockhart said on Monday the United States may be in line for a rate rise as soon as next month, in another sign policymakers are comfortable letting US monetary policy diverge from other major economies.
- Prices for the precious metal have struggled to hold gains after a sharp rally since the beginning of the year. Prices are still up nearly 18% year-to-date, though off a settlement high of \$1,272.80 a troy ounce reached March 10. Physical demand is also expected to stay weak in China and India.

US Commodity Futures Trading Commission (CFTC) Data

Date	Large Speculators			Commercial			Small Speculators			Open Interest
	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	
26-Jan-16	135,390	108,051	56%	188,511	215,209	47%	36,847	37,668	49%	384,974
02-Feb-16	137,182	104,959	57%	182,101	215,122	46%	37,617	36,819	51%	379,550
09-Feb-16	139,124	100,357	58%	179,334	221,218	45%	38,246	35,249	52%	383,201
16-Feb-16	145,857	101,844	59%	199,650	244,905	45%	37,217	35,975	51%	415,426
23-Feb-16	146,018	99,435	59%	200,101	246,192	45%	36,635	37,127	50%	410,959

Source: CFTC, IGI Research

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Crude Oil

Technical

The WTI Crude Oil market initially fell during the course of the day on Tuesday, but turned around to form a bit of a hammer. It now appears that we are pressing up against the \$42 level, and a move above there should bring in more buyers. Ultimately though, we have to worry about US producers flooding the markets at these higher levels. After all, supply is still nowhere near being dented, as Americans have just started exporting oil has recently as 3 months ago. With this, sooner or later that is going to cause a problem for the buyers but in the meantime it seems that people are more worried about central banks.

Pivot:	41.00		
Support	40.40	39.80	39.10
Resistance	42.50	43.00	43.75

Recommendation

Buy positions above 40.40 with targets at 42.50 and 43.00 in extension

Highlights

- Oil will be key for Wall Street today as the U.S Energy Information Administration is due to report weekly crude oil inventories
- American Petroleum Institute's weekly crude inventory report showed a greater-than-expected build of 8.8 million barrels
- U.S. crude oil futures settled 7 cents lower at \$41.45 a barrel
- Saudi Arabia is prepared to join an oil output freeze next month without Iran taking part
- Some of the world's largest oil nations will meet in Doha on April 17

Crude - Technical Indicators

RSI 14	66.76
SMA 20	37.78
SMA 50	33.82
SMA 100	35.01
SMA 200	40.19

Crude Oil Daily Graph



Source: Meta Trader, IGI Research

Fundamentals

- Oil closed above \$41 a barrel in New York after terrorist attacks in Brussels, amid forecasts that U.S. crude inventories climbed from an 86-year high. Futures were little changed after earlier falling as much as 1.8 percent following explosions in a Brussels airport departure hall and a subway station.
- U.S. crude stockpiles are forecast to have risen last week, keeping supplies at the most since 1930. Oil gained Monday after OPEC Secretary General Abdalla El-Badri said that 15 or 16 nations will attend oil-output freeze talks on April 17 in Doha, Qatar.
- Crude oil slumped to a 12-year low in the month of February before rising on speculation that stronger demand and falling U.S. output will ease a global surplus.
- The drop in production outside the Organization of Petroleum Exporting Countries and a decline in U.S. drilling show that the group's strategy of letting the market rebalance itself is working, El-Badri said in Vienna Monday.
- West Texas Intermediate for May delivery fell 7 cents to settle at \$41.45 a barrel on the New York Mercantile Exchange. Futures climbed as much as 0.9 percent. Total volume traded was 13 percent above the 100-day average.
- Stockpile worries aside, some analysts fear U.S. oil production is creeping higher. On Friday, data from energy service firm Baker Hughes, showed U.S. drillers added one oil rig last week after 12 weeks of cuts.
- Futures retreated after the settlement when the American Petroleum Institute was said to report U.S. crude supplies rose 8.8 million barrels last week. U.S. crude supplies probably climbed 2.53 million barrels last week, according to the median of responses in a Bloomberg survey of analysts before the release of Energy Information Administration data on Wednesday.

US Commodity Futures Trading Commission (CFTC) Data

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

Source: CFTC, IGI Research

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Silver

Technical

Silver markets tried to rally during the day on Tuesday but continued to struggle with the \$16 handle. If the market can break above the top of the candle from the Friday session of lastly, we would be buyers. We also like the idea of buying pullbacks in this market, as there seems to be more than enough buying pressure underneath to keep this market going higher. We think there is support all the way down to at least the \$15.20 handle. With this, we remain bullish but recognize that we may have to be patient in the meantime.

Pivot:	15.73		
Support	15.50	15.31	15.16
Resistance	16.00	16.14	16.35

Recommendation

Sell positions below 16.00 with targets at 15.50 and 15.31 in extension

Highlights

- When gold rallies, silver usually rallies faster and farther, particularly after the rally has been well established
- The ratio of silver to gold sitting at more than five times higher than the historical average
- The gold-to-silver ratio currently stands at about 1 to 79
- Silver performance could reflect increased demand for safe-havens after explosions at Brussels airport yesterday
- Investor sentiment toward silver was reinforced last week by the Fed

Silver - Technical Indicators

RSI 14	55.83
SMA 20	15.47
SMA 50	15.09
SMA 100	14.58
SMA 200	14.84

Silver Daily Graph



Source: Meta Trader, IGI Research

Fundamentals

- Silver has rebounded after falling to a 2015 low, reaching a 2016 high last week. Sentiment remains positively skewed, as evidenced by the higher highs so far this year. But the recovery is taking place amid rising volatility, which could be a leading indicator signalling the end of the current upward trend.
- Silver strengthened yesterday, having been muted on Monday after gaining 1.8 percent last week. Its good performance, alongside gold, could reflect increased demand for safe-havens after two explosions at Brussels airport this morning, believed to be a terrorist attack.
- An environment where investors prefer sell risk, which drives equities lower and government bonds and financial market volatility higher, is supportive of silver, reflecting its safe-haven characteristics.
- Investor sentiment toward silver was reinforced last week by the Fed. Although the federal funds rate remained unchanged at 0.5 percent, it revised its projections about the economic outlook and the path of future rate increases lower compared with its December projections.
- The more accommodative stance has driven the dollar and US real interest rates lower, exerting upward pressure on the precious metals, most notably silver.
- Silver ETF holdings rose for a third straight week to 19,353 tonnes as of March 18, up 153 tonnes after an increase of 136 tonnes in the previous week. Silver ETF investors returned at the start of March after a long absence in the first two months of 2016.
- These inflows are considerable, both on an absolute level and compared with gold ETF inflows. On Monday, ETF investors bought an additional 59 tonnes of silver, confirming the rebound in sentiment. The net spec length now stands at 58,073 contracts.

US Commodity Futures Trading Commission (CFTC) Data

Date	Large Speculators			Commercial			Small Speculators			Open Interest
	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	
26-Jan-16	42,097	29,999	58%	56,157	75,843	43%	23,121	15,533	60%	132,501
02-Feb-16	42,083	27,402	61%	54,280	79,052	41%	24,963	14,872	63%	132,475
09-Feb-16	41,285	23,950	63%	53,875	79,404	40%	23,378	15,184	61%	131,294
16-Feb-16	41,287	24,798	62%	58,869	83,678	41%	21,523	13,203	62%	136,158
23-Feb-16	41,334	26,466	62%	60,600	84,551	42%	21,666	13,583	61%	139,468

Source: CFTC, IGI Research

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Data Calendar

Economic Data

Date	Time	Event	Importance	Actual	Forecast	Previous
Wed Mar 23	15:00	CHF ZEW Survey (Expectations) (MAR)	medium			-5.9
Wed Mar 23	16:00	USD MBA Mortgage Applications (MAR 18)	low			-3.3%
Wed Mar 23	19:00	USD New Home Sales (MoM) (FEB)	medium		3.2%	-9.2%
Wed Mar 23	19:30	USD DOE U.S. Crude Oil Inventories (MAR 18)	medium			1317k
Wed Mar 23	19:30	USD DOE Cushing OK Crude Inventory (MAR 18)	low			545k
Wed Mar 23	19:30	USD DOE U.S. Gasoline Inventories (MAR 18)	low			-747k
Wed Mar 23	19:30	USD DOE U.S. Distillate Inventory (MAR 18)	low			-1135k
Wed Mar 23	20:00	EUR Euro-Zone Consumer Confidence (MAR A)	medium		-8	-8.8
Wed Mar 23	20:30	USD U.S. to Sell 2-Year Floating Rate Notes Reopening	low			

Source: Forex Factory, IGI Research

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