

Commodity Outlook

Thursday, March 24, 2016



Gold

Technical

Gold markets fell rather significantly during the day on Wednesday, crashing into the \$1220 level. However, there is still significant support below here and extending all the way down to the \$1200 level, so the market players are just waiting to see whether or not the market get some type of supportive candle in order to start buying again. We will wait until we get a daily hammer or some similar type of candle that house us buying. The move was pretty significant during the day on Wednesday, so because of that we will be cautious.

Pivot:	1,219		
Support	1,211	1,206	1,200
Resistance	1,231	1,236	1,244

Recommendation

Sell positions below 1231 with targets at 1211 and 1206.50 in extension

Highlights

- Gold steadied today, but was still facing its biggest weekly loss since early November
- Gold slipped 2 percent in the previous session as hawkish comments by Federal Reserve officials stoked a recovery in the dollar
- Investors are on guard for the possibility of more U.S. interest rate hikes
- Spot gold was little changed at \$1,218.30, down 0.1 percent
- New U.S. single-family home sales rebounded modestly in February pointing to a gradually improving housing sector

Gold - Technical Indicators

RSI 14	46.01
SMA 20	1,250.02
SMA 50	1,202.41
SMA 100	1,141.05
SMA 200	1,132.49

Gold Daily Graph



Source: Meta Trader, IGI Research

Fundamentals

- Gold futures logged their lowest settlement in about a month on Wednesday, as gains in the U.S. dollar dampened the value of holding the precious metal. Recent comments from some Federal Reserve officials, hinting at an interest-rate increase as early as April, helped nudged the dollar higher and weighed on dollar-priced commodities.
- The U.S Dollar Index was up 0.4%, after tapping its highest level in a week, while U.S. equities tipped lower Wednesday as gold futures settled. Higher rates lift the appeal of holding dollars, while a stronger buck cuts the worth of holding nonyielding assets priced in dollars.
- April gold, dropped \$24.60, or 2%, to settle at \$1,224 an ounce. The settlement marks the lowest since Feb. 26, according to FactSet data. The SPDR Gold Trust was down 1.9%.
- The backdrop for the weakness in gold is the constant jabber from Fed governors that an April rate hike is becoming more likely. Talk this week of a potential rate hike in April from at least two Fed central bankers Atlanta's Dennis Lockhart and San Francisco's John Williams has been a drag on gold, which still stands up some 15% this year.
- Another Fed member, Chicago's Charles Evans, backed his preference for a go-slow approach to raising interest rates but said the trajectory for rates remains up. Philadelphia's Patrick Harker said during Asian trading hours Wednesday that the improved U.S. outlook largely favored raising short-term interest rates again.
- Gold futures had closed higher Tuesday, drawing at least short-term demand from investors who sought assets perceived as safe in the wake of those attacks. But gold's reaction to the Belgian bombings was "muted, signaling that the short-term path of least resistance is down.

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

Commodity Outlook

Thursday, March 24, 2016



Crude Oil

Technical

Crude Oil market fell, creating a “hanging man” from Tuesday’s supportive hammer. With this, looks as if the market is ready to go lower, perhaps trying to reach towards the \$39 level. With this, it’s only a matter of time before we break down below there as well, but at this juncture you have to realize there is a lot of bullish pressure. Fundamentally, will is going to struggle to continue going much higher for any real length of time, because we are simply running out of storage, and of course any production freeze will have no effect on US oil exports, so at this point in time we should continue to see bearish pressure over the longer term.

Pivot:	39.74		
Support	39.10	38.74	38.35
Resistance	40.40	40.82	41.28

Recommendation

Sell positions below 40.40 with targets at 39.10 and 38.74 in extension

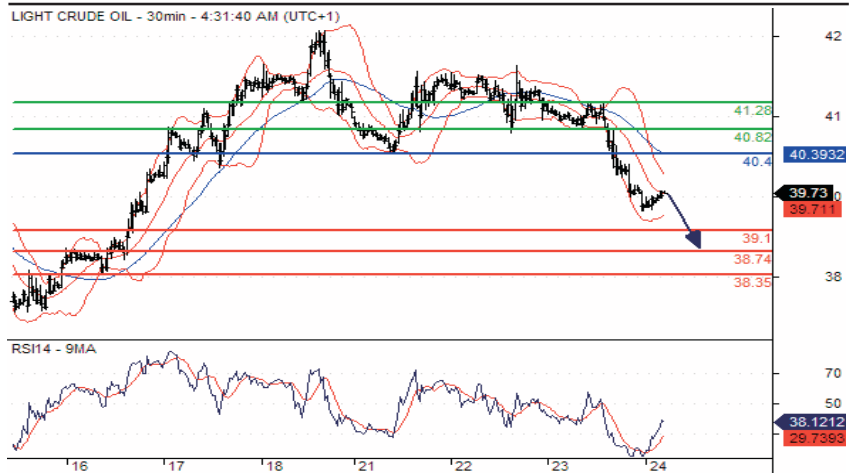
Highlights

- Things could get worse for oil bulls, with trading houses betting on oil markets being oversupplied for at least two more years
- Crude futures for delivery in May, dropped 53 cents, to \$39.25 a barrel
- The losses followed a steep decline in prices in the previous session
- Oil sank after a report from the U.S. Department of Energy showed domestic crude stockpiles soared by 9.4 million barrels
- A firmer dollar also continued to keep a lid on oil prices today

Crude - Technical Indicators

RSI 14	60.85
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 fell below \$40 a barrel in today’s trading session, heading for the biggest weekly slide in two months, dented by record-high stockpiles in the United States and a stronger dollar.
- The U.S. government’s Energy Information Administration (EIA) said crude stockpiles climbed by 9.4 million barrels last week - three times the 3.1-million-barrel build forecast by analysts in a Reuters poll.
- The continued rise in stockpiles to record levels has reversed a sharp rebound in prices driven by plans among major producers, including Saudi Arabia and Russia, to freeze production.
- U.S crude futures were down 57 cents at \$39.22 a barrel, trading further below the important \$40 level. On Wednesday, U.S. crude closed down \$1.66, or 4 percent, the sharpest one-day drop for the front-month contract since Feb. 11.
- Earlier this week, both benchmarks had been up more than 50 percent from multi-year lows hit in January. The U.S. inventory data prompted profit-taking while hawkish rhetoric from Fed officials has pushed up the dollar.
- A stronger dollar makes oil, priced in the U.S. unit, less affordable to those holding other currencies. Trade is expected to be thin on Friday, with many markets closed for the Easter holidays. Trading on Monday will also be light due to a public holiday in Britain.
- A deal among a few OPEC producers and Russia to freeze production is perhaps “meaningless” as Saudi Arabia is the only country with the ability to increase output.
- A deal among a few OPEC producers and Russia to freeze production is perhaps “meaning. Things could get worse for oil bulls, with trading houses betting on oil markets being oversupplied for at least two more years.

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

Commodity Outlook

Thursday, March 24, 2016



Silver

Technical

Silver markets fell rather significantly during the course of the day on Wednesday, crashing into the 15.20 support level. Because of this, it's likely that the silver market will find support sooner or later, but at this point in time the market is closing towards the bottom of the range, and that's normally a very negative sign. We believe that the supportive region extends all the way down to at least the \$15 level, so we are on the sidelines and are waiting for supportive daily candle in order to turn things back around so we can serve buying again.

Pivot:	15.24		
Support	15.16	14.88	14.58
Resistance	15.55	15.73	16.00

Recommendation

Sell positions below 15.55 with targets at 15.16 and 14.88 in extension

Highlights

- Silver lost 0.3 percent to \$15.18 in yesterday's trading session
- Silver is now exceptionally cheap relative to gold, particularly if the prices of industrial metals recover further
- New U.S. single-family home sales rebounded modestly in February as a surge in the West offset sharp declines in other regions
- Sentiment have gained traction fairly sharply over previous months
- Chicago Fed President Charles Evans said he expects two more rate increases this year

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 futures for May delivery rose 0.05% to \$15.280 a try ounce. Silver futures fell yesterday, as a host of hawkish comments from Federal Reserve increased the possibility that the U.S. central bank could approve multiple interest rate hikes by the end of 2016, weighing on the precious metal.
- While delivering a speech to bond traders on Tuesday at the Money Marketeers of New York University's conference on Growth and the Role of Economic Policies, Fed of Philadelphia president Patrick Harker squarely aligned himself with his hawkish colleagues on the Federal Open Market Committee.
- Chicago Fed president Charles Evans said Tuesday that he expects two more rate hikes from the Fed this year. The FOMC's benchmark Federal Funds Rate continues to hover around 0.37%, after the U.S. central bank opted to leave its target range unchanged last week between 0.25 and 0.50%.
- The Fed has held short-term interest rates steady at each of its last two meetings since it ended a seven-year zero interest rate policy (ZIRP) in December. Even with three rate hikes over the next nine months.
- Investors are primarily reacting to the mixed signals by the Fed. Less than a week ago, the Fed issued a dovish monetary policy statement while reducing the number of potential rate hikes in 2016 from four to two. Fed Chair Janet Yellen also issued a dovish outlook for the economy.
- Since then however, Atlanta Federal Reserve President Dennis Lockhart has gone on record saying the Fed could raise rates in April. The current price action in silver suggests that investors are beginning to worry that rates are going to grind higher.
- Volume is down because of the pre-Easter trade, however, investors are likely to react today to U.S economic data and commentary from FOMC Member James B. Bullard. He said low rates may be causing low inflation.

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

Commodity Outlook

Thursday, March 24, 2016



Data Calendar

Economic Data

Date	Time	Event	Importance	Actual	Forecast	Previous
Thu Mar 24	02:45	New Zealand Trade Balance (New Zealand dollars) (FEB)	medium		90m	13m
Thu Mar 24	12:00	German GfK Consumer Confidence Survey (APR)	medium		9.5	9.5
Thu Mar 24	14:30	U.K Retail Sales (YoY) (FEB)	medium		3.4%	5.1%
Thu Mar 24	14:30	U.K Retail Sales Inc Auto Fuel (YoY) (FEB)	medium		3.5%	5.4%
Thu Mar 24	17:30	U.S Initial Jobless Claims (MAR 19)	medium			265k
Thu Mar 24	17:30	U.S Continuing Claims (MAR 12)	medium			2235k
Thu Mar 24	17:30	U.S Durable Goods Orders (FEB P)	high		-3.0%	4.7%
Thu Mar 24	18:45	U.S Markit US Manufacturing PMI (MAR P)	medium		51.5	51.3
Thu Mar 24	22:00	Baker Hughes U.S. Rig Count (MAR 25)	medium			

Source: Forex Factory, IGI Research

Disclaimer: This document has been prepared by IGI Finex Securities Limited and is for information purposes only. Whilst every effort has been made to ensure that all the information (including any recommendations or opinions expressed) contained in this document (the information) is not misleading or unreliable, IGI Finex Securities Limited makes no representation as to the accuracy or completeness of the information. Neither IGI Finex Securities Limited nor any director, officer or employee of IGI Finex Securities Limited shall in any manner be liable or responsible for any loss that may be occasioned as consequence of a party relying on the information. This document takes no account of the investment objectives, financial situation and particular needs of investors, who shall seek further professional advice before making any investment decision. This document and the information may not be reproduced, distributed or published by any recipient for any purpose.

Contact Details

IGI Commodity Team

Karachi Office

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

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

Faisalabad Office

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

Rahim Yar Khan Office

Junaid Faisal Tel: (+92-68) 5871655-56 Cell: 0300-9673704 Junaid.Faisal@igi.com.pk

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

Faisalabad Office

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

Islamabad Office

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

Stock Exchange Office

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