

Commodity Outlook

Monday, March 28, 2016



Gold

Technical

Gold markets did very little during the day on Friday, as the market continue to try to find support below. With this, we believe that eventually we will break out to the upside and therefore we are buyers of gold. We believe that the market goes back to the \$1280 level, and then possibly even higher than that. In the meantime, we are more than comfortable just playing the range that has been set up buying the last couple of months. We have no understand selling, especially considering the central banks look so soft at the moment.

Pivot:	1,222		
Support	1,206	1,200	1,195
Resistance	1,225	1,231	1,236

Recommendation

Sell positions below 1225.00 with targets at 1206.50 and 1200.50 in extension

Highlights

- The gold price fell to a five-week low today during Asian trading hours
- The US dollar continued to climb on stronger-than-expected US fourth quarter GDP growth
- An upward revision to the US fourth quarter GDP last Friday, showed the US economy did not slow as sharply as previously estimated
- The US fourth quarter GDP had increased at a 1.4 percent annual rate
- SPDR Gold Trust, the world's largest gold-backed ETF, said its holdings rose to 26.48 million ounces, the highest since December 2013

Gold - Technical Indicators

RSI 14	44.05
SMA 20	1,247.36
SMA 50	1,210.44
SMA 100	1,144.70
SMA 200	1,134.50

Gold Daily Graph



Source: Meta Trader, IGI Research

Fundamentals

- Gold dropped to its weakest in a month on Monday, pressured by a firmer dollar following hawkish comments from U.S. Federal Reserve officials that signalled the next U.S. interest rate increase could come as soon as next month.
- It marked further losses for bullion which fell the most since November last week as the dollar gained traction on prospects of higher U.S. interest rates in the near term.
- All eyes will be on Fed Chair Janet Yellen who speaks on the U.S. economy and monetary policy on Tuesday that may give more clues on how many rate hikes policymakers are looking at and the timing.
- St. Louis Fed President James Bullard was the latest to add his voice to policymakers supporting a rate hike, possibly as soon as in the next policy meeting in April. But Bullard also said he was undecided on whether to push for an April rate increase in part because the U.S. central bank will have seen little more economic data in the interim.
- Gold's retreat may be temporary if the Fed only lifts interest rates twice this year which should allow the market to hold above \$1,200 support. Spot gold was down 0.2 percent at \$1,214.16 an ounce. It touched a session-low of \$1,208.15, its cheapest since Feb. 23. The metal lost 3 percent last week.
- The dollar hit a 1-1/2-week high versus a basket of currencies, extending last week's gains as expectations for an April U.S. rate hike strengthened. Trading was likely to remain slow on Monday with key markets, including London, still shut for Easter holidays.
- Trading was likely to remain slow on Monday with key markets, including London, still shut for Easter holidays. U.S. gold for April delivery slipped 0.6 percent to \$1,214.50 an ounce.

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

Monday, March 28, 2016



Crude Oil

Technical

The WTI Crude Oil market fell again during the course of the session on Thursday, but turned back around to form a little bit of a hammer. That hammer of course suggesting that we would bounce but the Friday session was closed. Ultimately though, you have to look at the weekly chart when you consider what could happen in this market, as we have formed a perfect shooting star just below the \$40 level. Because of this, we break down below the \$38 level, it would essentially be a “double negative” type of signal, and we would be sellers. If the market do rally from here, we anticipate seeing quite a bit of resistance at the \$42 level.

Pivot:	39.67		
Support	39.00	38.35	38.00
Resistance	39.88	40.38	40.85

Recommendation

Buy positions above 39.00 with targets at 39.88 and 40.38 in extension

Highlights

- Saudi Arabia has found itself between a rock and a hard place lately, when it comes to the direction of the price of crude oil
- According to the U.S EIA, U.S. crude stocks rose by 9.4 million barrels the week-ended March 18
- The Dollar added to a recent string of gains after another US Fed official talked of higher US interest rates before long.
- Offsetting the crude build was a 4.6 million barrel decline in gasoline inventories
- Producers are due to meet on April 17 to discuss the plan

Crude - Technical Indicators

RSI 14	60.66
SMA 20	38.55
SMA 50	34.28
SMA 100	34.94
SMA 200	39.97

Crude Oil Daily Graph



Source: Meta Trader, IGI Research

Fundamentals

- Oil prices rose today after a three-day break, adding to gains in recent weeks as optimism holds that a production freeze among major producers may be implemented, but volumes were thin as a number of markets remain on holiday for Easter.
- US crude's front-month contract was up 50 cents at \$39.96 a barrel. Last week, the contract rose 2 cents, finishing up for a sixth straight week. Brent's front-month climbed 45 cents to \$40.89 a barrel. Last week, it fell 76 cents, or nearly 2%, its first decline in five weeks.
- Oil prices have risen about 50% from multi-year lows hit in January on glut worries. Declining US oil output and strong gasoline demand were responsible for some of that recovery, but the bulk of it was powered by major producers' plans to freeze output at January's highs.
- Producers are due to meet on April 17 to discuss the plan. The market is going to be held in suspense for a few weeks. There is going to be pressure on the participants in the meeting to ensure they achieve something.
- OPEC member Iraq's oil exports have held steady so far in March, according to loading data and industry sources, halting for now the rapid supply growth from the country. Baghdad has given verbal support to the initiative by OPEC and outside producers to freeze output.
- In the short term, investors will be looking out for monthly US production figures for January to be released later this week, said Shum. The figures, although months behind, offer one of the most closely monitored data sets for traders and analysts trying to pinpoint signs of a bust in the six-year US shale boom.
- US crude oil production fell for a third month in December to 9.26 million barrels per day due to declines in the biggest shale-producing states, although the fall was offset by a rise offshore.

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

Monday, March 28, 2016



Silver

Technical

The silver markets continue to grind around near the \$15.20 level, which should extend all the way down to the \$15 level as far as support is concerned. A supportive candle is reason enough to go long, and with that we are simply waiting to see that or a move higher and above the Thursday candle in order to continue with the overall consolidation. That could lead the market all the way to the \$16 level, which would be a simple continuation of consolidation. We believe that soft monetary policy will continue to push silver higher over the longer term.

Pivot:	15.20		
Support	15.00	14.88	14.58
Resistance	15.40	15.60	15.75

Recommendation

Sell positions below 15.40 with targets at 15.00 and 14.88 in extension

Highlights

- Silver for May contract fell 7.3 cents, or 0.48%, to close at \$15.19 a troy ounce
- On the week, silver futures lost 61.2 cents, or 3.87%
- All eyes will be on Fed Chair Janet Yellen who speaks on the U.S. economy and monetary policy on Tuesday
- Dollar extended last week's gains as expectations for an April U.S. rate hike strengthened
- Trading is likely to remain slow today with key markets, including London, still shut for Easter holidays

Silver - Technical Indicators

RSI 14	46.64
SMA 20	15.50
SMA 50	15.15
SMA 100	14.61
SMA 200	14.83

Silver Daily Graph



Source: Meta Trader, IGI Research

Fundamentals

- Silver futures for May delivery shed 7.3 cents, or 0.48%, on Thursday to close at \$15.19 a troy ounce after hitting a session low of \$15.10, a level not seen since March 3. On the week, silver futures lost 61.2 cents, or 3.87%.
- Hawkish comments from a handful of Federal Reserve officials sparked speculation that the U.S. central bank could give serious consideration to a rate hike at its April meeting, boosting the U.S. dollar.
- Metals trading on the Comex remained closed Friday in observance of the Good Friday holiday. St. Louis Fed President James Bullard added his support to the possibility of more U.S. interest rate hikes this year on Thursday, with the first perhaps as soon as April.
- The hawkish comments follow similar remarks made by Philadelphia Fed President Patrick Harker, Chicago Fed President Charles Evans, San Francisco Fed President John Williams and Atlanta Fed President Dennis Lockhart earlier in the week.
- The prospect of more U.S. interest rate rises this year bolstered the dollar against its major rivals. The dollar index, which measures the greenback's strength against a trade-weighted basket of six major currencies, rose to a one-week high of 96.39 on Thursday.
- The U.S. central bank surprised markets earlier this month by cutting its rate hike projections more than expected, down from four to two in 2016, citing the potential impact from weaker global growth and financial market turmoil on the U.S. economy.
- In the week ahead, market players will be turning their attention to a highly anticipated speech by Federal Reserve Chair Janet Yellen on Tuesday for further clues on the timing of the next U.S. rate hike.

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

Monday, March 28, 2016



Data Calendar

Economic Data

Date	Time	Event	Importance	Actual	Forecast	Previous
Mon Mar 28	17:30	U.S Advance Goods Trade Balance (FEB)	high		-\$62.200b	-\$62.398b
Mon Mar 28	17:30	U.S Personal Income (FEB)	medium		0.1%	0.5%
Mon Mar 28	17:30	U.S Personal Spending (FEB)	medium		0.1%	0.5%
Mon Mar 28	17:30	U.S Real Personal Spending (FEB)	medium		0.1%	0.4%
Mon Mar 28	17:30	U.S PCE Deflator (MoM) (FEB)	low		-0.1%	0.1%
Mon Mar 28	17:30	U.S Personal Consumption Expenditure Core (YoY) (FEB)	high		1.8%	1.7%
Mon Mar 28	19:00	U.S Pending Home Sales (YoY) (FEB)	medium		-0.5%	-0.9%
Mon Mar 28	19:30	U.S Dallas Fed Manufacturing Activity (MAR)	low		-26.0	-31.8
Mon Mar 28	20:30	U.S. to Sell 3-Month Bills	low			

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