Commodity News

Monday, February 04, 2019

Gold

Technical

Gold markets rallied significantly during the week, slamming into the $1325 level, an area that has been important more than once. This is an area where it had seen a lot of selling in the past. This is an area that has seen a major break down, and the beginning of a major selloff that reached down towards the $1200 level. Now that it has returned to this area, it should not be much of a surprise that it has struggled to break above it. It may be looking at a short-term pullback. the $1300 level underneath is going to offer plenty of support and it would be very interested in buying this market in that area. The alternate scenario is that it break above the $1340 level, which should send this market looking for $1350 initially, and then perhaps even $1400 longer-term.

Pivot:	1,317		
Support	1,309	1,305	1,302
Resistance	1,326	1,323	1,317

Source: FX EMPIRE

Highlights

- Gold prices slid after hitting a nine-month peak in the previous session but still posted a second straight weekly gain
- Gold survived the Fed in 2018 and in 2019 the central banks are likely to provide support
- Gold tends to appreciate on expectations of lower interest rates, which reduce the opportunity cost of holding non-yielding bullion
- Gold has not traded below $1000 per ounce since 2009
- The technical level around $1,325, which has over the last year provided both support and resistance

Gold - Technical Indicators

RSI 14	45.44
SMA 20	1,267.2
SMA 50	1,252.1
SMA 100	1,256.3
SMA 200	1,277.8

Source: FX EMPIRE

Gold Daily Graph

Source: Meta Trader

Fundamentals

- Gold prices dipped slightly today as the dollar held steady on upbeat U.S jobs and factory data that prompted markets to reduce bets on a rate cut later this year.
- Spot gold was down 0.3 percent to $1,314.47 per ounce. Prices rose as high as $1,326.30 on Thursday, their highest since April 26. U.S gold futures dipped 0.2 percent at $1,320.1 an ounce.
- The dollar held firm versus the yen, hovering near a one-week high today bolstered by a stronger-than-expected jobs report and a rebound in U.S manufacturing.
- U.S job growth surged in January, with employers hiring the most workers in 11 months, pointing to underlying strength in the economy despite an uncertain outlook that has left the Federal Reserve wary about more interest rate hikes this year.
- The solid jobs report allayed concerns of the slowdown in the U.S economy, leading investors to trim bets the Fed would need to cut interest rates to support the economy later this year.
- The price of gold hit an all-time nominal high in 2011 when it traded to $1920.70 per ounce on the nearby COMEX futures contract. After a correction to a low at $1046.20 in late 2015, the price has remained above that level but below the July 2016 peak at $1377.50.

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- If gold is going higher, gold mining stocks are likely to follow. Moreover, the shares of companies that extract the precious metal from the crust of the earth tend to outperform the price of gold on the upside.

US Commodity Futures Trading Commission (CFTC) Data

	Large Speculators			Commercial			Small Speculators			Open
Date	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	Interest
12/27/2018	337251	72353	82%	120854	284003	30%	49448	31277	61%	384,974
01/03/2019	340748	74460	82%	115571	287002	29%	51148	36,819	61%	450555
01/10/2019	291266	84634	77%	116493	311865	27%	53520	32958	62%	499110
01/17/2019	274589	77454	77%	118610	304141	28%	49810	33791	60%	493086
01/24/2019	295688	67069	82%	127081	327075	28%	51562	30399	63%	510579

Source: CFTC

Crude Oil

Technical

The WTI Crude Oil market initially pulled back significantly during the week, just above the $50 level. By turning around and bouncing towards the $55 level, it has ended up forming a bit of a hammer, just as it did the previous week. In the short term, it continue to offer buying opportunities, with the $50 level underneath offering a bit of a "floor" for the market. This marketplace could get very noisy in the meantime, but it is trying to build up the necessary momentum to break out to the upside. If it did break down below the $50 level, then the market could roll over towards the $45 level. Brent markets initially pulled back a little bit during the week. Brent will probably go looking towards the $70 level, which is an area that was previous support. If it turn around and break down below the bottom of the hammer, then it could lose the $60 handle and continue to go down to the $55 handle.

Pivot:	54.50		
Support	54.50	53.90	53.30
Resistance	57.60	56.75	56.10

Source: FX EMPIRE

Crude Oil Daily Graph

Source: Meta Trader

Highlights

- Crude oil prices were stable as OPEC-led supply cuts
- Oil investors will continue to monitor global crude supplies and the outlook for energy demand in the week ahead
- After ending 2018 in freefall, oil prices have gained roughly 15% since the start of the year
- The U.S benchmark rose about 2.9%, its fourth weekly gain in the past five weeks
- Fresh data on U.S commercial crude inventories and production activity will also capture the market's attention this week

Crude - Technical Indicators

RSI 14	55.83
SMA 20	48.93
SMA 50	46.53
SMA 100	47.26
SMA 200	51.85

Source: FX EMPIRE

Fundamentals

- Crude oil prices edged lower today after sharp gains during the previous session but were supported by expectations of shrinking supply and signs that China-US trade tensions could ease.
- International Brent crude oil futures were down 20 cents, or 0.32 per cent, after closing up 3.14 per cent in the previous session to their highest close since November 21. WTI futures were at $55.13 per barrel, down 13 cents, or 0.24 per cent, from their last settlement.
- The US oil rig count fell by 15 to 847 in the week ended February 1, erasing the 10-rig increase the week before and posting the lowest total since May last year.
- Crude oil prices surged higher on Friday as recent supply-side issues were joined with easing concerns of weaker economic growth. Some profit-taking can be seen as it remains largely supported compared to last week's levels.
- Saudi Arabia-led OPEC and its non-member allies led by Russia agreed to collectively cut production by a total of 1.2 million bpd during the first six months of 2019 in an effort to stave off a global glut in supplies.
- The sanctions will sharply limit oil transactions between Venezuela and other countries and are similar to those imposed on Iran last year. OPEC oil supply fell in January by the largest amount in two years despite sluggish production declines from Russia.
- The collapse in oil prices late last year has resulted in more cautious spending by U.S oil explorers. Russian oil output in January missed the target for the output cuts.

US Commodity Futures Trading Commission (CFTC) Data

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Date	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	Interest
12/27/2018	458,206	105,441	81%	560,983	925,531	38%	82,700	70,917	54%	1,598,935
01/03/2019	462,028	106,739	81%	557,217	927,085	38%	85,279	70,700	55%	1,615,844
01/10/2019	454,829	123,816	79%	571,328	916,651	38%	87,594	73,282	54%	1,619,796
01/17/2019	463,186	135,835	77%	560,029	897,400	38%	87,590	77,633	53%	1,623,027
01/24/2019	473,506	133,457	78%	558,910	898,363	38%	79,121	79,717	50%	1,613,293

Source: CFTC

Silver

Technical

Silver markets initially drifted a bit lower during the week but then shot higher as the Federal Reserve has suggested that they are going to stay somewhat neutral, or at least "data dependent." Because of this, the market is taken that the Federal Reserve is going to soften its stance on interest rates and balance sheet reduction. This should be negative for the US dollar, which by extension should lift silver. Ultimately the market may have got a little bit ahead of itself. The $15.50 level should offer a lot of interest for investors, just as a break above the top of the candle stick for the weekly chart would be. At that point, the silver market should go looking towards the $17 level, an area that has been massive resistance in the past. It has been consolidating between the $14 level on the bottom, and the $17 level on the top of the last several years.

Pivot:	15.97		
Support	15.68	15.58	15.48
Resistance	16.18	16.07	15.97

Source: FX EMPIRE

Highlights

- Silver was down 1.0% to $15.91 a troy ounce, after rising to its highest since July 2018 at $16.19 in previous session
- Silver shed 1% to $15.931, while marking 1.5% weekly gains, with a session-high at $16.08, and a low at $15.91
- A bearish rejection from resistance $16.00 brought silver down on Friday
- Average hourly earnings rose just 0.1%, compared with expectations for a 0.3% increase
- Silver has more upside and could break above $16.00 in the medium-term

Silver - Technical Indicators

RSI 14	19.80
SMA 20	17.27
SMA 50	16.72
SMA 100	16.85
SMA 200	16.87

Source: FX EMPIRE

Silver Daily Graph

Source: Meta Trader

Fundamentals

- This week precious metal investors will be tracking movements in the U.S dollar, one of the biggest drivers for silver and awaiting comments from a number of Federal Reserve officials, which may reinforce expectations for a pause in its rate hike cycle.
- Silver joined gold down today even as the dollar tapered off for the day, as investors shun precious metals and safe havens following strong US labor data. The dollar index steadied at 95.3, with a session-high at 95.4, and a low at 95.1.
- Silver sales in January were up about 20 percent from the previous month, and hit their highest since November 2018 at 828,854 ounces. While investors will still be on the lookout for any indications that the trade spat between the U.S and China is easing.
- Silver prices declined in futures trade today, as it hit by a slump in demand from local jewellers and coin makers at the spot market and subdued global cues.
- The U.S economy created 304,000 new jobs, the highest in 11 months, beating forecasts for 165,000 jobs. The unemployment rate, however, rose to a seven-month peak of 4%.
- Having signaled further interest rate rises as recently as December, the Fed, at its January meeting, caught markets off guard by putting plans for further rate hikes on hold and pledging to be "patient" on further moves, citing muted inflation and rising risks to global economic growth.

US Commodity Futures Trading Commission (CFTC) Data

	Large Speculators			Commercial			Small Speculators			Open
Date	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	Interest
12/05/2018	42,097	29,999	58%	56,157	75,843	43%	23,121	15,533	60%	132,501
12/12/2018	42,083	27,402	61%	54,280	79,052	41%	24,963	14,872	63%	132,475
12/19/2018	41,285	23,950	63%	53,875	79,404	40%	23,378	15,184	61%	131,294
12/29/2018	41,287	24,798	62%	58,869	83,678	41%	21,523	13,203	62%	136,158
01/02/2019	41,334	26,466	62%	60,600	84,551	42%	21,666	13,583	61%	139,468

Source: CFTC

Data Calendar

Economic Data

Date	Time	Event	Importance	Actual	Forecast	Previous
Mon Feb 04	02:45	NZD Building Permits (MoM) (DEC)	Medium	5.1%		-2.0%
Mon Feb 04	04:50	JPY Monetary Base End of period (JAN)	Medium	¥500.2t	¥500.3t	¥504.2t
Mon Feb 04	05:00	AUD TD Securities Inflation (YoY) (JAN)	Medium	1.5%		1.9%
Mon Feb 04	05:30	AUD Building Approvals (YoY) (DEC)	Medium	-22.5%	-10.9%	-32.8%
Mon Feb 04	14:30	GBP Markit/CIPS UK Construction PMI (JAN)	Medium		52.5	52.8
Mon Feb 04	20:00	USD Factory Orders (NOV)	Medium		0.3%	-2.1%
Mon Feb 04	20:00	USD Durable Goods Orders (NOV F)	Medium		1.5%	0.8%
Mon Feb 04	20:00	USD Durables Ex Transportation (NOV F)	Low		0.1%	-0.3%
Mon Feb 04	20:00	USD Cap Goods Orders Nondef Ex Air (NOV F)	Low		0.1%	-0.6%

Source: Forex Factory, DailyFX

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