



Crude oil; Gold & Silver

Technical view of Crude, Gold & Silver

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Crude oil market updates (Brent and WTI)

On 1st September, The American Petroleum Institute reported a big draw in crude oil inventories of 6.4mn bbls for the week ending August 28th, more than expectations of 1.9mn bbls draw. The previous week inventory decline was 4.5mn bbls.

On 2nd September, the US Energy Information Administration reported a 9.362mn bbls decline in the US crude oil inventories in the week ended in 28th August, more than the expectation of 1.887mn draw. The inventories increased by 1.388mn bbls a week ago.

Brent crude shows a sign of correction this week. Brent managed to stay above the low (US\$45.2/bbl) before the gap-down in early March. It is considered a support level. However, the price broke out downward sharply due to the unexpected equity market correction on Thursday night. The Bollinger band started to widen, and the price is trading at the lower bound. The next support is the 60dma (US\$43.56/bbl).

Figure 1: Brent broke out the US\$45/bbl support level



Source: Bloomberg

Brent closed above the 50% level of US\$43.87/bbl on Thursday night, but it is currently trading below this level during Asia market hours. It stays well within the upward trending band.

Figure 2: Brent broke out 50% Fibonacci retracement level



Source: Bloomberg

WTI managed to close above the low (US\$41.05/bbl) before the gap-down in March on Thursday night. It is retesting this support which is slightly above the 60dma of US\$40.95/bbl during Asia market hours.

Figure 3: WTI trading at around two layers of support



Source: Bloomberg

WTI is heading to the lower bound of the trending band. The next support is 76.40% Fibonacci retracement level of US\$40.6/bbl.

Figure 4: WTI trading above 76.4% Fibonacci retracement



Source: Bloomberg

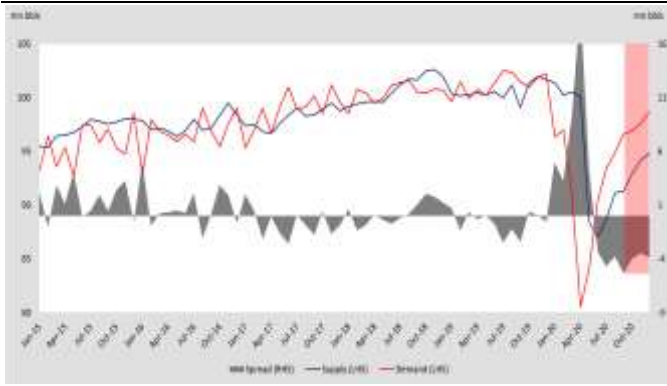
Trading recommendation:

For Brent, we advise to long at US\$43/bbl with a stop loss at US\$42/bbl, and exit at US\$46/bbl; Or short at US\$44/bbl with a stop loss at 45/bbl, and exit at US\$42/bbl.

For WTI, we advise to long at US\$40.5/bbl with a stop loss at US\$40/bbl, and exit at US\$43.5/bbl.

KGI oil market barometer

Figure 5: Global oil supply glut is expected to taper from 2Q20 onwards



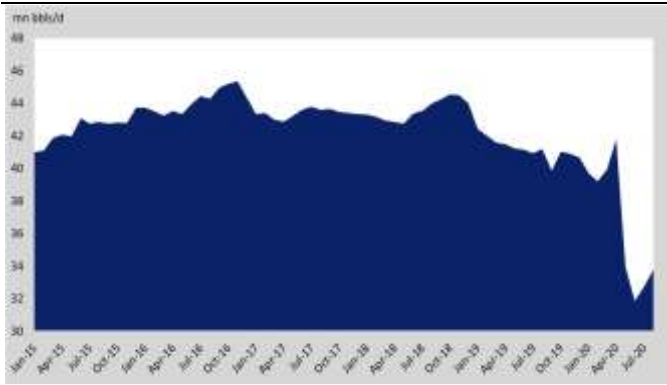
Source: Bloomberg, KGI Research

Figure 6: US oil production topped out in March 2020



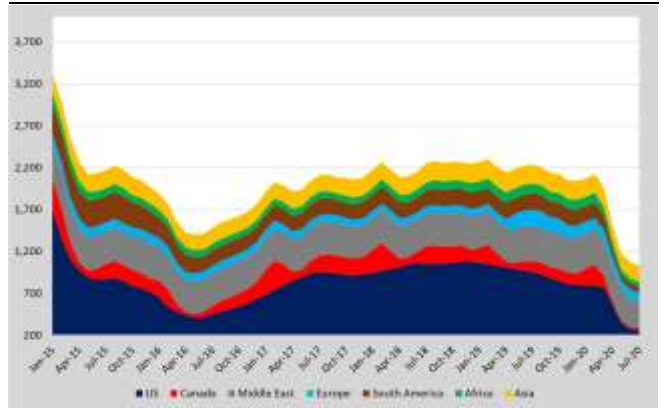
Source: Bloomberg, KGI Research

Figure 7: OPEC and Russia relaxed the output cut in June



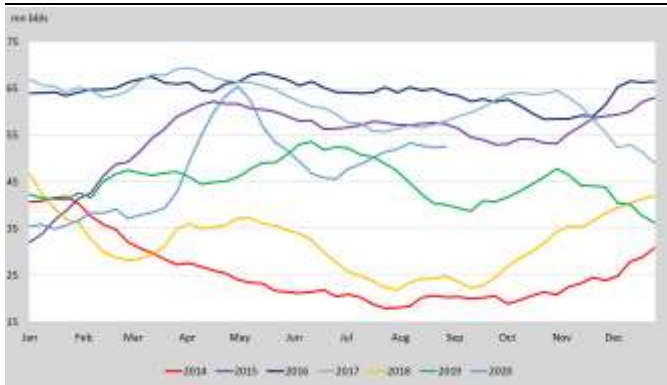
Source: Bloomberg, KGI Research

Figure 8: Global total rig count drops below the level in 2016



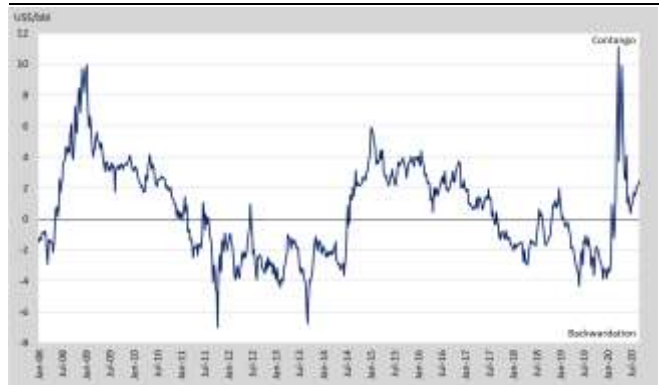
Source: Bloomberg, KGI Research

Figure 9: US crude inventory above 2019 level in August



Source: Bloomberg, KGI Research

Figure 10: Oil resisted entering into backwardation



Source: Bloomberg, KGI Research

Gold & Silver

US job market updates:

US initial jobless claims arrived at 881k in the week ended 29th August, better than the expectation of 950k, after the Labor Department changed its seasonal adjustment methodology to smooth the swings in employment. The claims in the previous week was 1.01mn.

In the recent weeks, gold tended to be a range-bound market. US\$2,000/oz is the upper bound, and the 76.4% of Fibonacci level of US\$1,920/oz is the lower bound.

Figure 11: Gold forming a wedge pattern



Source: Bloomberg

Gold's two short-term supports are the US\$1,920/oz and 60dma of US\$1,877/oz. The RMI indicator shows the upward momentum has tapered. Meanwhile, RSI is slightly below 50 at the moment, indicating that gold is under consolidation.

Figure 12: Gold is consolidating between US\$1,900/oz and US\$1,950/oz



Source: Bloomberg

Similar to gold, the silver is trading with a range bound between US\$26/oz and US\$29/oz. The 61.8% Fibonacci resistance level of US\$25.5/oz is the next support.

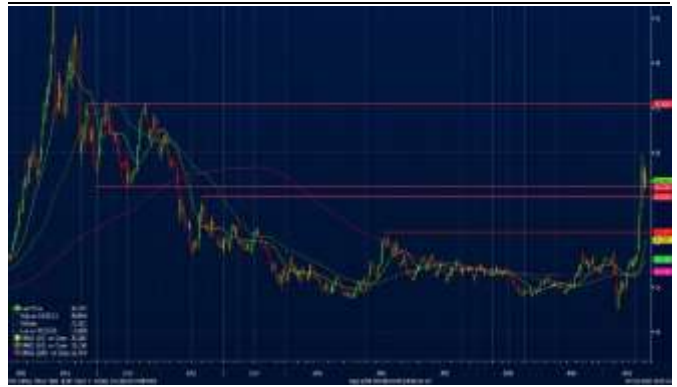
Figure 13: Silver trading with a range bound



Source: Bloomberg

The next two resistance levels are US\$30/oz and US\$35.5/oz, and the near term support is US\$26.2/oz.

Figure 14: Silver consolidating at around US\$26.5/oz



Source: Bloomberg

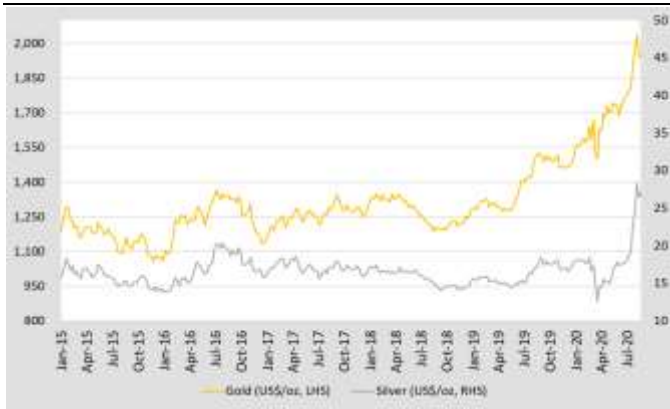
Trading recommendation:

For gold, we advise to accumulate at US\$1,920/oz if it corrects. And three exit levels are US\$1,950, US\$1,970, and US\$2,000/oz.

For silver, we advise to long at US\$26.2/oz and US\$25.5/oz if it falls back, and exit at US\$28/oz. We believe silver will continue to go up, reaching US\$40/oz by the end of the year.

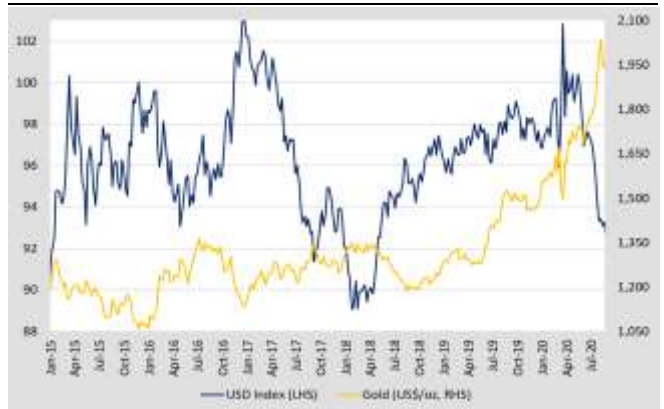
KGI gold & silver barometer

Figure 15: Gold and silver soar together



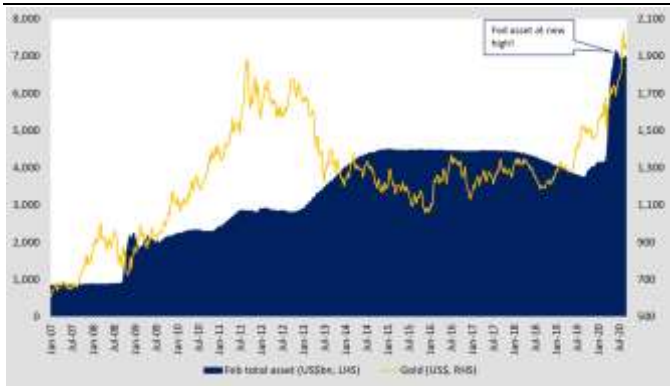
Source: Bloomberg, KGI Research

Figure 16: Inversed correlation between gold and USD broke



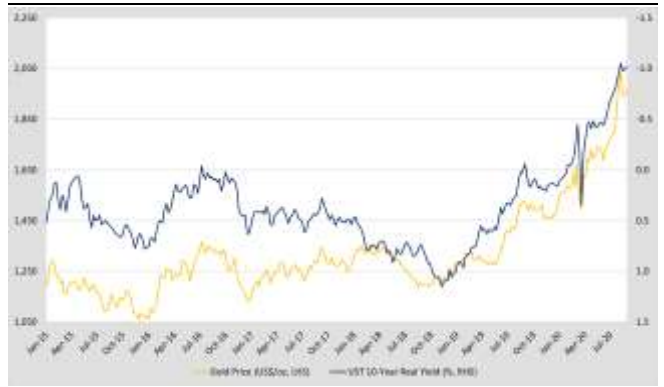
Source: Bloomberg, KGI Research

Figure 17: Gold price climbs higher when Fed assets expand



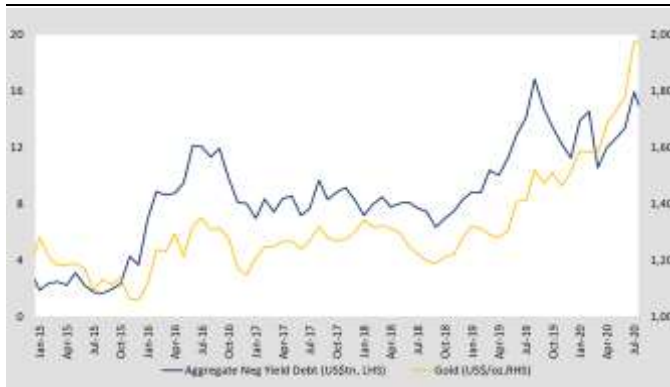
Source: Bloomberg, KGI Research

Figure 18: Inversed correlation between gold price and real yield



Source: Bloomberg, KGI Research

Figure 19: Positive correlation between gold and negative yield debt



Source: Bloomberg, KGI Research

Figure 20: Gold/Silver ratio approaching the 10-year average



Source: Bloomberg, KGI Research

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