



Crude oil; Gold & Silver

Technical view of Crude, Gold & Silver

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Updates in this report

- Crude oil market updates (Brent and WTI)..... 1
- KGI oil market barometer 2
- Gold & Silver 3
- KGI gold & silver barometer 4

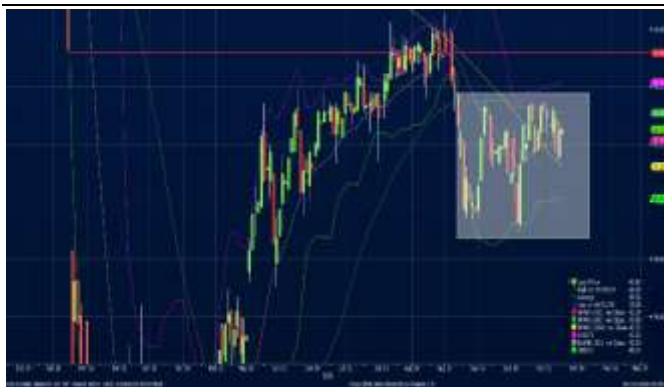
Crude oil market updates (Brent and WTI)

On 21st October, The American Petroleum Institute reported a small build in crude oil inventories of 584k bbls for the week ending 16th October, more than expectations of 240k bbls draw. The previous week inventory draw was 5.422mn bbls.

On 21st October, the US Energy Information Administration reported a 1mn bbls decline in the US crude oil inventories in the week ended in 16th October, in line with expectation of 1mn bbls draw. The inventories decreased by 3.818mn bbls a week ago.

Brent is trading within a range of slightly more than US\$5/bbl as highlighted in the white box. However, the current price is US\$2.7/bbl (6.3%) away from the low before the gap-down in early March. The near-term resistance level is the 60dma (US\$43.08/bbl) while its support is around US\$39/bbl. There are no clear signs of a trend at the moment.

Figure 1: Brent trading at a range bound



Source: Bloomberg

WTI has been trading range bound (within US\$5/bbl) since the sell-off in early September, as shown in the white box. Although WTI managed to fill the gap formed in early March, the low before the gap-down became the resistance level (US\$41.05/bbl). The short-term support is the recent low at slightly above US\$36/bbl. Likewise, there are no clear trends for WTI.

Figure 2: WTI trading at a range bound



Source: Bloomberg

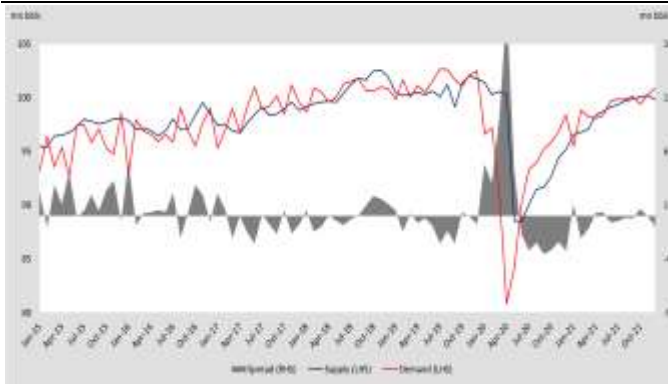
Trading recommendation:

For Brent, we advise to long at US\$40.2/bbl with a stop loss at US\$39/bbl and exit at US\$43/bbl; or short at US\$43/bbl with a stop loss at US\$44/bbl and exit at US\$40.2/bbl.

For WTI, we advise to long at US\$36.5/bbl with a stop loss at US\$35/bbl and exit at US\$41/bbl; or short at US\$41.5/bbl with a stop loss at 42.5/bbl and exit at US\$39.5/bbl.

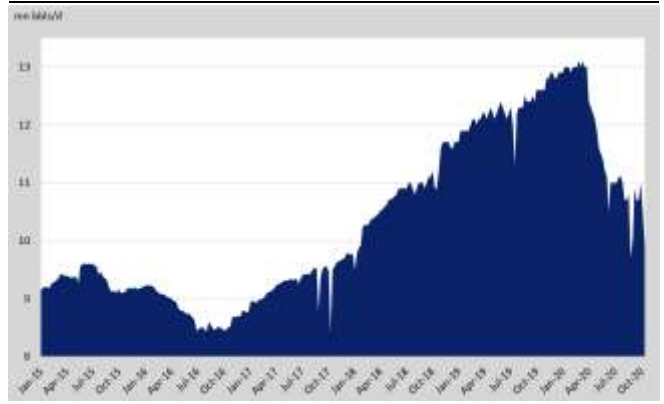
KGI oil market barometer

Figure 3: Global oil supply glut is expected to taper from 2Q20 onwards



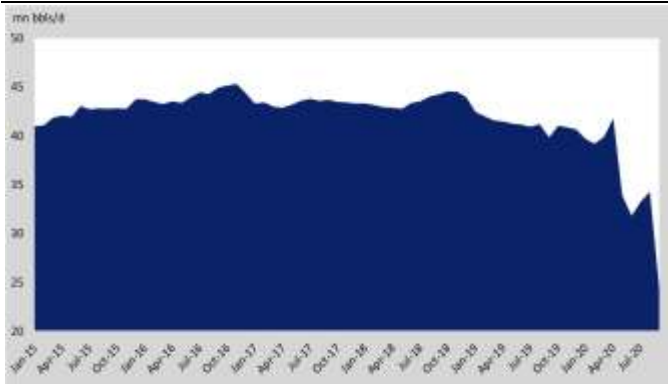
Source: Bloomberg, KGI Research

Figure 4: US oil production dropped again in October



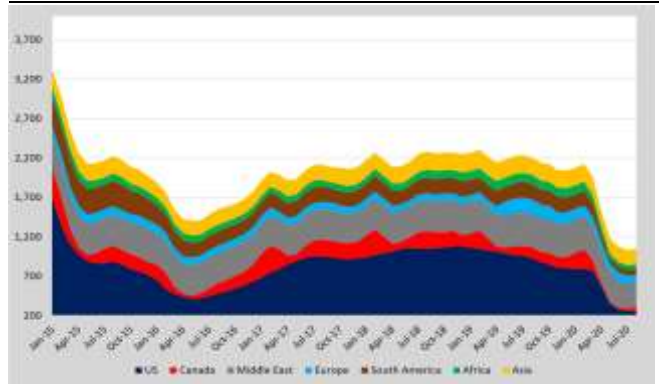
Source: Bloomberg, KGI Research

Figure 5: OPEC and Russia output declined further in September



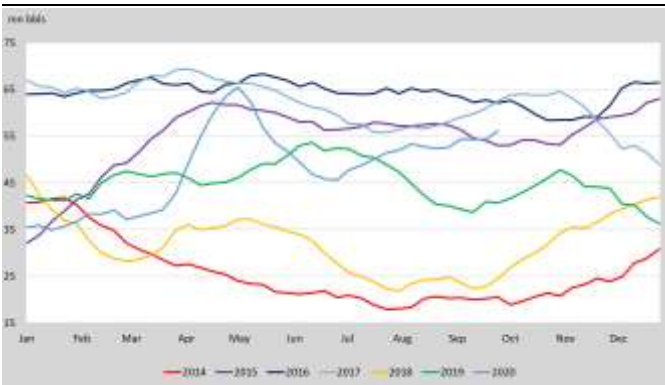
Source: Bloomberg, KGI Research

Figure 6: Global total rig count drops below the level in 2016



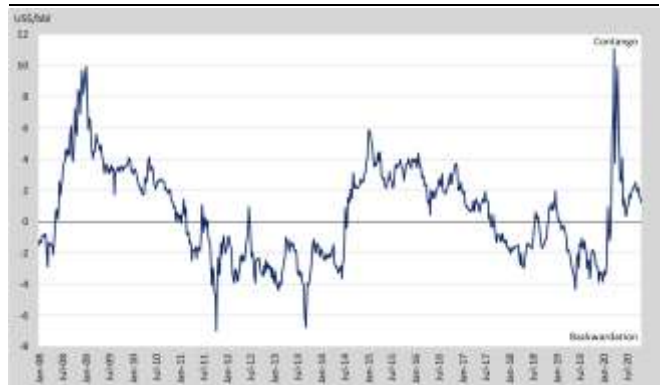
Source: Bloomberg, KGI Research

Figure 7: US crude inventory above 2015 level in October



Source: Bloomberg, KGI Research

Figure 8: Oil resisted entering into backwardation



Source: Bloomberg, KGI Research

Gold & Silver

US job market updates:

US initial jobless claims arrived at 787k in the week ended 17th October, better than the expectation of 860k. The previous week figure was revised to 842k. Most of the drop was attributed to California, where the claims declined to 159 thousand following a two-week pause to whittle down a massive backlog and improve fraud prevention. Also, more than 345k people applied for the Pandemic Unemployment Assistance scheme, which covers workers that do not qualify for initial claims, compared with 337k in the previous period.

Gold is consolidating with a slight uptrend. It is good to accumulate below US\$1,890/oz. The short-term support is US\$1,850/oz while the resistance is US\$1,920/oz.

Figure 9: Gold held up at US\$1,850/oz and rebounded



Source: Bloomberg

Both RMI and RSI indicators show that gold is under consolidation with no clear upward or downward moment.

Figure 10: Gold resumes a weak upward momentum



Source: Bloomberg

Like gold, silver is consolidating with a slight uptrend. It is good to accumulate below US\$24/oz. The short-term support is US\$24/oz while the resistance is US\$25.5/oz.

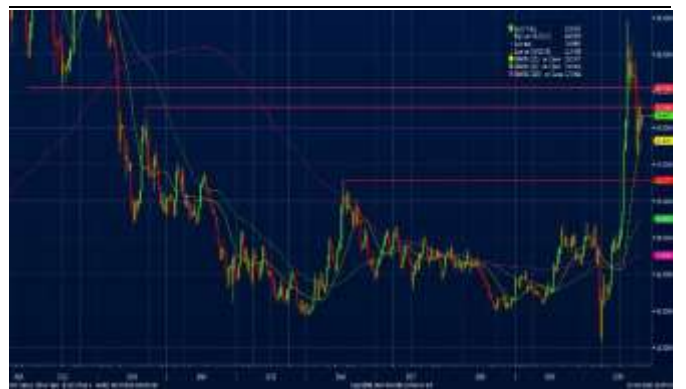
Figure 11: Silver held up at US\$23/oz and rebounded



Source: Bloomberg

The next two resistance levels for the longer term are US\$25.1/oz and US\$26.2/oz, and support is US\$21.1/oz.

Figure 12: Silver is supported at US\$22/oz



Source: Bloomberg

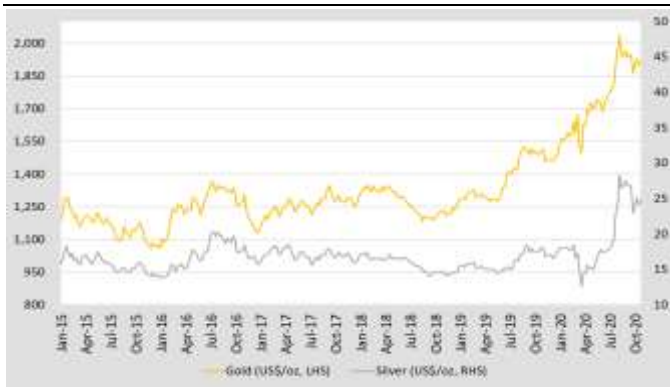
Trading recommendation:

For gold, we advise to accumulate at US\$1,850/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\$22/oz and US\$23/oz if it falls back, and exit at US\$25.5/oz. We believe silver will continue to go up, breaking the recent high of near US\$30/oz by the end of the year.

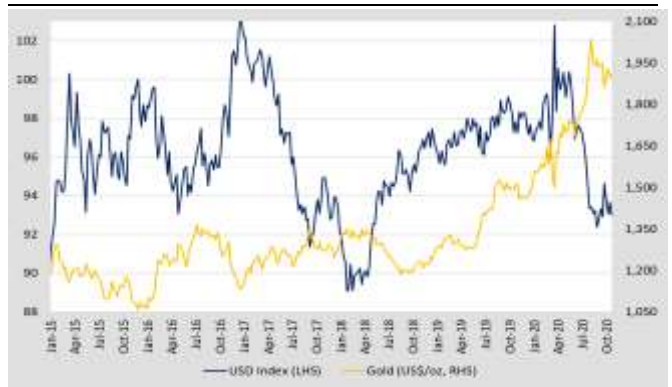
KGI gold & silver barometer

Figure 13: Gold and silver soar together



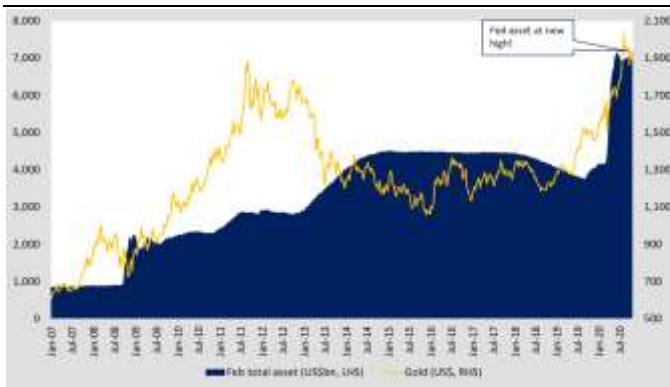
Source: Bloomberg, KGI Research

Figure 14: Inversed correlation between gold and USD broke



Source: Bloomberg, KGI Research

Figure 15: Gold price climbs higher when Fed assets expand



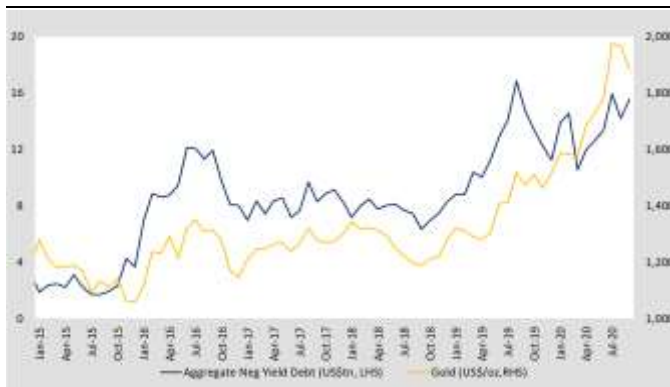
Source: Bloomberg, KGI Research

Figure 16: Inversed correlation between gold price and real yield



Source: Bloomberg, KGI Research

Figure 17: Positive correlation between gold and negative yield debt



Source: Bloomberg, KGI Research

Figure 18: Gold/Silver ratio rebounded from the 10-year average



Source: Bloomberg, KGI Research

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