



Crude oil; Gold & Silver

Technical view of Crude, Gold & Silver

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Crude oil market updates (Brent and WTI)

On 4th November, The American Petroleum Institute reported a big draw in crude oil inventories of 8mn bbls for the week ending 30th October, compared to expectations of 1.96mn bbls build. The previous week inventory build was 4.577mn bbls.

On 4th November, the US Energy Information Administration reported an 8mn bbls decline in the US crude oil inventories in the week ended in 30th October, compared to a 0.89mn bbls build in stocks. The inventories increased by 4.32mn bbls a week ago.

Brent is trading within a downward channel, forming a pattern of lower highs and lower lows. The current price is below both the 20dma (US\$41.12/bbl) and 60dma (US\$42.22/bbl) levels and heading to the 200dma (US\$40.11). Brent stayed below the 200dma level for most of the time over the past three months. Hence, this is a strong resistance even though oil prices stayed above it for a while. The next resistance levels are US\$43/bbl and US\$45.18/bbl respectively while the next support level is around US\$37.8/bbl, which is the low after the gap-up in June.

Similar to Brent, WTI is staying within a downtrend channel. The next resistance are the 20dma level (US\$39.2/bbl), 60dma level (US\$40.11/bbl), and the low (US\$41.05/bbl) before the gap-down in March. WTI has more downside potential than upside. Before it creates another new low since August, it will retest the 200ma level (US\$36.69/bbl) and the lows (below US\$34/bbl) it touched last week.

Figure 2: WTI trading at a range bound



Source: Bloomberg

Trading recommendation:

For Brent, we advise to short at US\$42/bbl with a stop loss at US\$44/bbl and exit at US\$36/bbl.

For WTI, we advise to short at US\$39.5/bbl with a stop loss at 41/bbl and exit at US\$34/bbl.

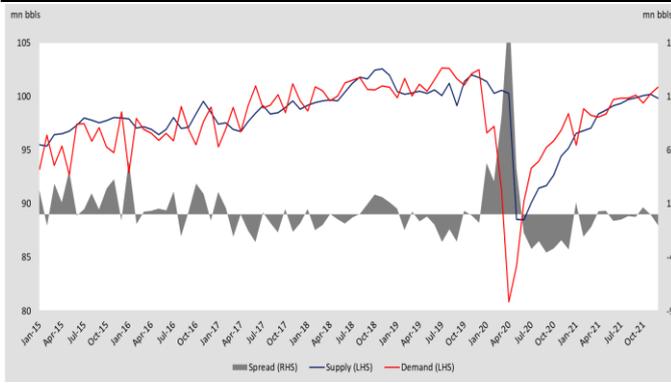
Figure 1: Brent trading at a range bound



Source: Bloomberg

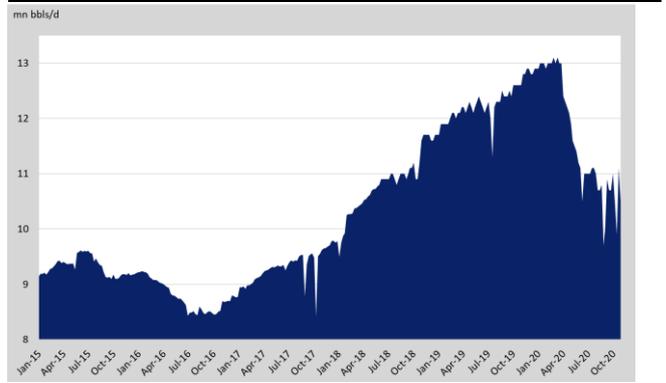
KGI oil market barometer

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



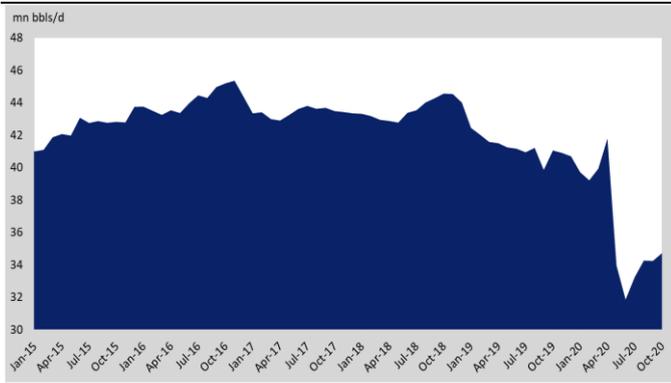
Source: Bloomberg, KGI Research

Figure 4: US oil production trended downward



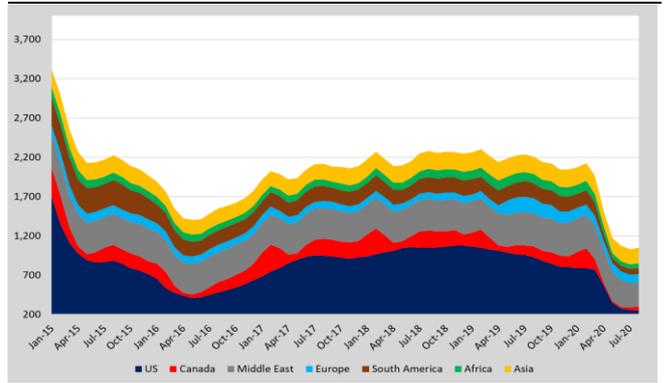
Source: Bloomberg, KGI Research

Figure 5: OPEC and Russia output bottomed out since July



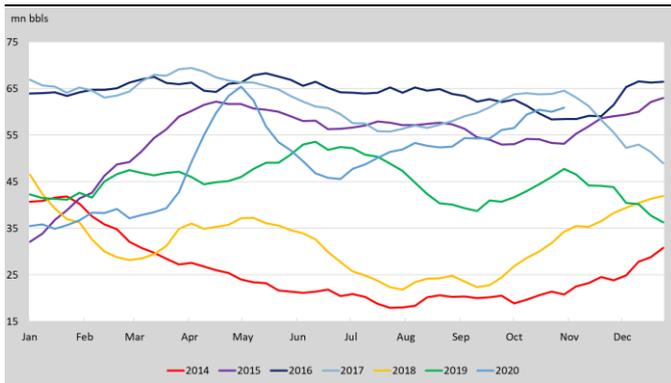
Source: Bloomberg, KGI Research

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



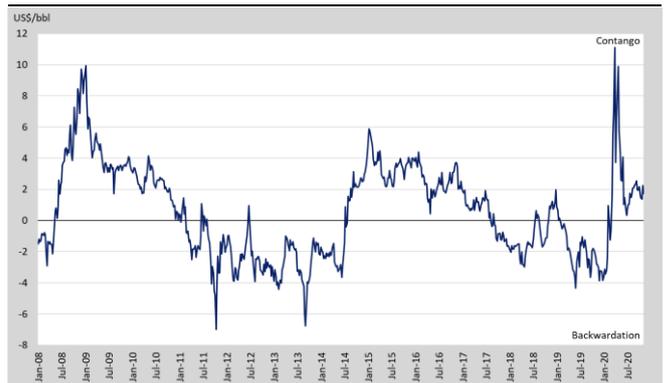
Source: Bloomberg, KGI Research

Figure 7: US crude inventory above 2016 level in November



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 751k in the week ended 30th October, slightly more than expectations of 732k. The previous week figure was revised to 758k. This week's initial claims were at the lowest level since late March but still higher than the pre-COVID levels.

Gold has had a substantial breakout right after the US Election Day (4 Nov) although the final result is yet to be officially announced. Meanwhile, it also jumped out of the downtrend channel. This is a bullish sign for gold in the near term. The 23.6% Fibonacci level (US\$1,928/oz) is now the support.

Figure 9: Gold broke out 23.6% Fibonacci level upward



Source: Bloomberg

Both RMI and RSI indicators show that gold is back on an uptrend after a 2-month consolidation.

Figure 10: Gold resumes a strong upward momentum



Source: Bloomberg

Like gold, silver also had a strong upward breakout this week. However, it failed to hit the 23.6% Fibonacci level (US\$25.6/oz) which is viewed as a strong resistance.

Figure 11: Silver stays in an upward channel



Source: Bloomberg

Meanwhile, the 60dma level (US\$25.36) is also a strong resistance. If silver fails to stay around US\$25/oz in one or two weeks, it probably will drop back to the previous consolidation level (US\$24/oz).

Figure 12: Silver jumped sharply but failed to broke out the resistance



Source: Bloomberg

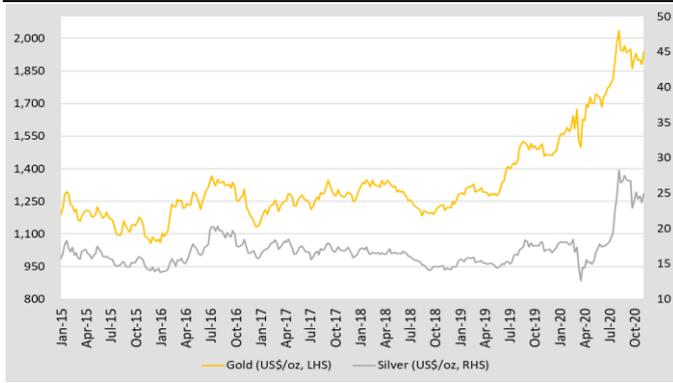
Trading recommendation:

For gold, we advise to accumulate at US\$1,900/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 accumulate below US\$23.5/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.

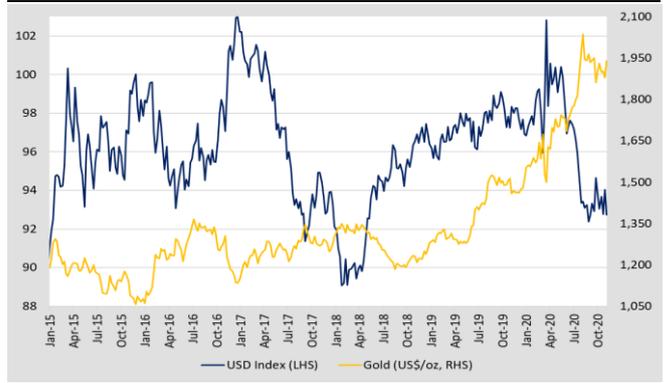
KGI gold & silver barometer

Figure 13: Gold and silver soar together



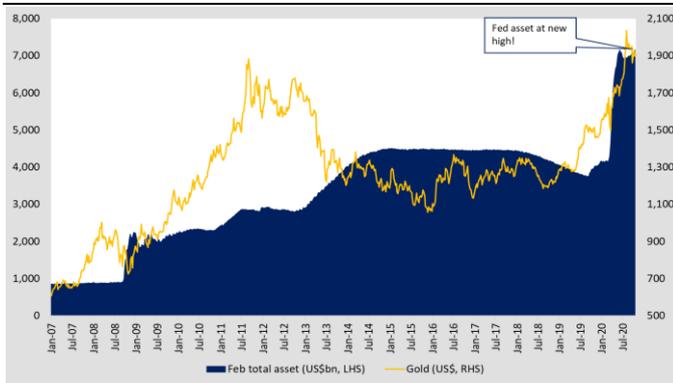
Source: Bloomberg, KGI Research

Figure 14: Inversed correlation between gold and USD remains



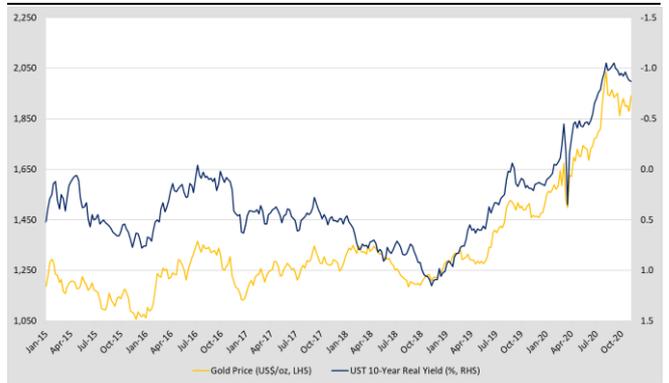
Source: Bloomberg, KGI Research

Figure 15: Gold price climbs higher when Fed assets expand



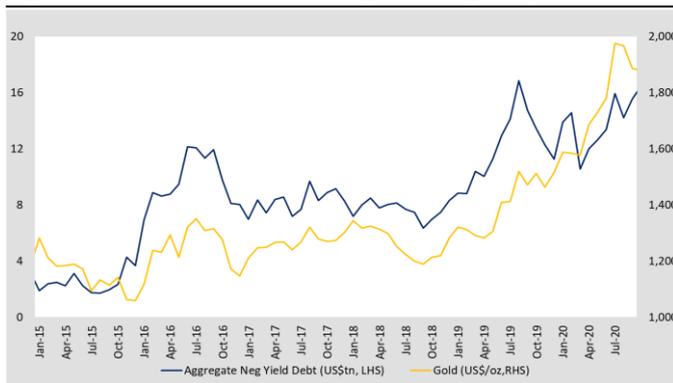
Source: Bloomberg, KGI Research

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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Outperform (OP)	We take a positive view on the stock. The stock is expected to outperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
Neutral (N)	We take a neutral view on the stock. The stock is expected to perform in line with the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
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