

# Precious Metals, Oil and Volatility Overview

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# PRECIOUS METALS, OIL AND VOLATILITY OVERVIEW

For the Month of  
November 2011  
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## Welcome

This report analyzes gold, silver, light sweet crude oil, and the volatility index using behavioural and technical analysis, and commitment of traders reports released by the U.S. Commodity Futures Trading Commission.

## Gold Analysis



Gold has declined during the month of November as investors flocked to the US dollar as safe haven. The US dollar and gold are moving inversely. Gold broke below its 50 day moving average which is a bearish signal. The bearish MACD crossover occurred mid November. Gold is currently at a major support area; look for a test of the 200 SMA if it breaks below 1650.

Disaggregated Commitments of Traders-All Futures Combined Positions as of November 15, 2011  
Reportable Positions

-----									
: Producer/Merchant :									
: Processor/User : Swap Dealers : Managed Money : Other									
: Long : Short : Long : Short : Spreading : Long : Short : Spreading : Long :									
: Short : Spreading : Short : Spreading :									
-----									
GOLD - COMMODITY EXCHANGE INC. (CONTRACTS OF 100 TROY OUNCES)									
CFTC Code #088691									
								Open Interest is	470,490
: Positions									
: 87,774	275,813	51,941	68,065	30,879	159,850	8,940	6,756	45,567	
			37,263	19,526					
: Changes from: November 8, 2011									
: 2,640	2,186	-8,228	-546	5,934	4,218	-637	2,964	1,013	
			2,361	4,760					
: Percent of Open Interest Represented by Each Category of Trader									
: 18.7	58.6	11.0	14.5	6.6	34.0	1.9	1.4	9.7	
			7.9	4.2					
: Number of Traders in Each Category									
: 18	22	21	16	22	103	21	22	93	Total Traders: 345
			56	56					

Managed money increased long positions, representing 34% of the open interest. The commercial category is net short in gold to hedge, although more long than short positions were added during the second week of November.

Swap dealers have decreased their future positions, particularly on the long side. Fundamentally, gold is very appealing in this market that has been shaken by global economic worries.

## Silver Analysis



Silver's price, like gold, has decreased during the month of November mainly due to the strength of the US dollar and European sovereign debt worries. Technically, there was a bearish MACD crossover mid November. Major resistance is around the 35 mark, and support is currently at 30.

Managed money is net long on silver contracts, and has added to their positions during the second week of November. 17% of the open interest is represented by long managed contracts.

Silver neared oversold levels technically, as indicated by the Relative Strength Index. It is in consolidation mode.



Disaggregated Commitments of Traders-All Futures Combined Positions as of November 15, 2011  
Reportable Positions

: Producer/Merchant :									
: Processor/User :									
: Swap Dealers :									
: Managed Money :									
: Other :									
: Long : Short : Long : Short : Spreading: Long : Short : Spreading: Long :									
: Short : Spreading :									
SILVER - COMMODITY EXCHANGE INC. (CONTRACTS OF 5,000 TROY OUNCES)									
CFTC Code #084691									
Open Interest is 110,513									
: Positions									
: 10,896	50,032	23,472	10,628	4,582	18,758	4,903	6,161	7,064	
			6,472	16,142					
: Changes from: November 8, 2011									
: -1,150	551	-1,581	-1,701	226	1,083	-449	2,860	325	
			350	1,723					
: Percent of Open Interest Represented by Each Category of Trader									
: 9.9	45.3	21.2	9.6	4.1	17.0	4.4	5.6	6.4	
			5.9	14.6					
: Number of Traders in Each Category									
: 13	23	14	11	18	28	13	11	36	
			26	34					

## Light Sweet Crude Analysis



Light sweet crude oil futures rose sharply during the month and had a minor selloff near the end of the month on low trading volume. Price failed to stay above the 100 mark, which is a major technical resistance area. Oil is currently supported at the 95 price point by the 200 day simple moving average.

The sharp rise was mainly driven by the Seaway pipeline reversal. Futures are trading in backwardation as the front month contracts are more expensive than further dated ones. The sharp rise in WTI narrowed the Brent-WTI spread 65 percent since it reached a historic high.

## Volatility Index Analysis



The VIX opened November at 36.03 and closed November 25<sup>th</sup> 34.47. The European debt kept the equity markets volatile for the month. Although the volatility has marginally decreased, the VIX is above its 200 day moving average.

The Bollinger bands contracted slightly which represented the small decrease in volatility as measured by the index. The VIX has technical support at 30, and resistance at the 40 mark.



## Conclusion

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Fundamentally, the equity markets have been shaken by the constant political and economic news coming out of Europe. If the European crisis is not solved orderly, it can cause shockwaves globally and propel the world into a global recession.

WTI and Brent oil prices have both been relatively strong considering the slump in the equity markets. The US dollar has rallied and forced gold and silver into consolidation. It will be interesting to see how the market will react to any new developments from Europe, as we approach a historically low volume holiday season.

### Disclaimer:

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