



SERIOUS TRADING. WORLDWIDE.

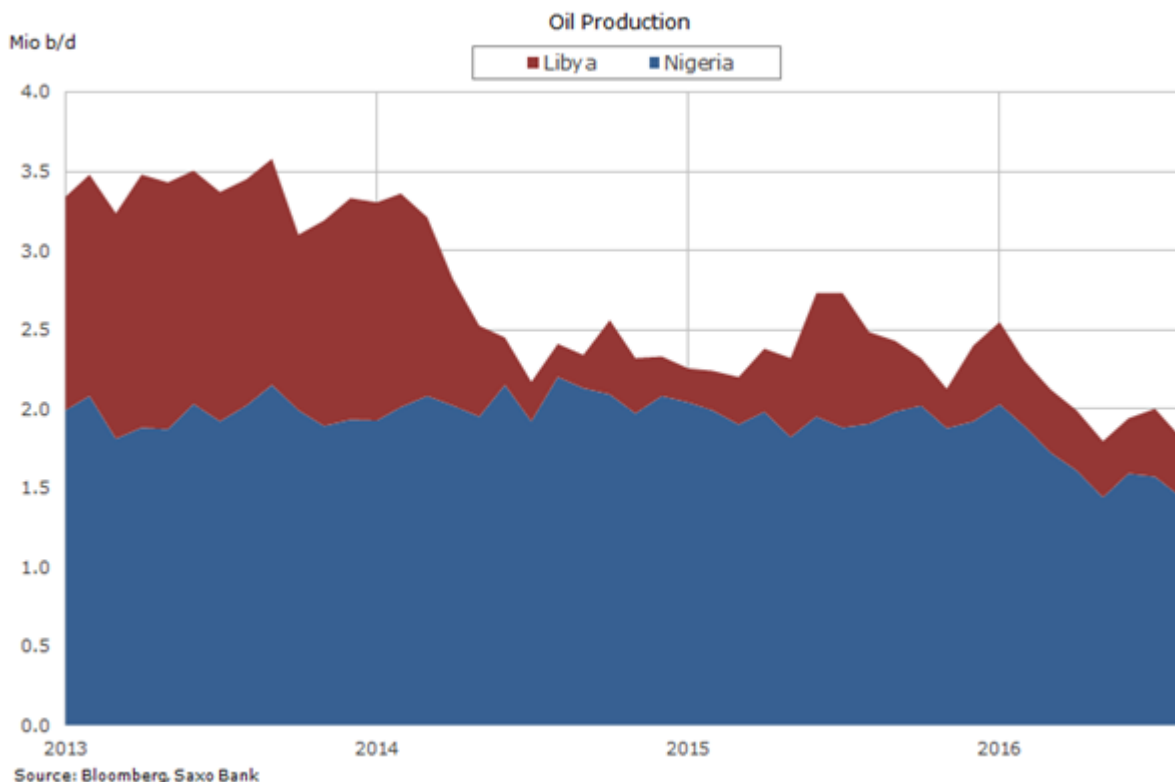
Precious metals on defensive ahead of busy central bank week

By Ole Hansen

Crude oil's losses this week extended towards the September lows on news that both Libya and Nigeria will attempt to increase exports during the coming weeks. If successful, this will add to the current overhang of supply which was already expected to last deep into 2017.

Libya will – once again – attempt to open up for oil exports from its eastern ports of Ras Lanuf, Es Sider and Zueitina. Supplies from these ports could potentially unlock crude supplies of 300,000 barrels per day. Meanwhile in Nigeria, Exxon Mobil Corp. has said it is ready to resume shipments of up towards 340,000 b/d and Royal Dutch Shell another 200,000 b/d. A resumption of these supplies could add more than 800,000 b/d into a market already struggling to bring down a persistent overhang of supply. Before these latest developments both Opec and the International Energy Agency in monthly reports earlier this week warned that the markets would potentially not reach a balanced situation before late 2017.

The combined oil production from Nigeria and Libya hit 1.8 million barrels per day (bpd) in August, almost half of what the two countries, not least Libya, produced back in 2013.



COPENHAGEN. LONDON. SINGAPORE. DUBAI. PARIS. TOKYO. AND OTHER FINANCIAL CENTRES AROUND THE WORLD

WWW.SAXOBANK.COM SAXO BANK A/S Philip Heymans Allé 15 2900 Hellerup Denmark

Telephone: +45 3977 4000 Telefax: +45 3977 4200 Reuters Dealing Code: SAXO Cvr. nr. 15 73 12 49 info@saxobank.com



SERIOUS TRADING. WORLDWIDE.

With these extra barrels potentially hitting the market, the pressure on prices and the need for other producers to cut production may continue to weigh on prices. This at a time of year where crude oil prices from a seasonal perspective tend to trade lower.

Libya is probably the most interesting case, considering how production has been decimated in recent years, due to domestic conflict. Despite the emerging supply glut since 2014, this has left room for the return of Iranian oil following the lifting of sanctions and increased production from countries such as Russia, Saudi Arabia and Iraq.

Libya has made more than a dozen failed attempts to increase exports in recent years according to Bloomberg. Until we have a clearer picture of whether this attempt will be more successful than previous ones, the market is likely to adopt a wait and see approach.

In a week where non-Opec production continued to show resilience and where the supply glut was forecast to extend deep into 2017, the upcoming meeting of the International Energy Forum in Algiers from September 26 to 28 is likely to attract some increased attention.

Precious metals on defensive ahead of busy central bank week

Precious metals have been back on the defensive this past week with the shake-out in both bonds and stocks hurting the general level of the appetite for risk in the market. Next week's central bank meetings from the Federal Reserve and Bank of Japan should provide the market with some additional guidance and direction.

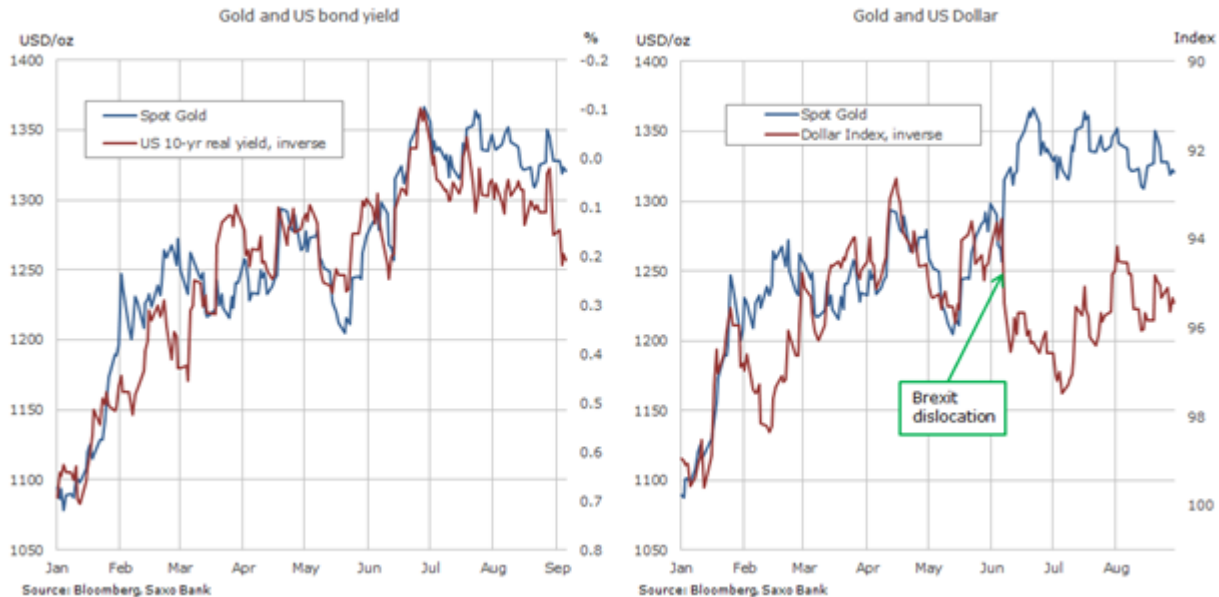
The US yield curve has steepened to its widest in 10 weeks on a combination of rising rate expectations and a general risk reduction driven by the latest spike in volatility. This has driven US 10-year real yields back up to a pre-Brexit high of 0.20%.

The negative impact of rising bond yields have prevented gold from reacting to the tailwind from a weaker dollar.



SERIOUS TRADING. WORLDWIDE.

Gold and the US dollar and bonds



This development can best be seen through gold priced in euros.

The combination of gold trading lower and the dollar trading weaker against the euro has taken XAUEUR back down towards key support at €1,170/oz. A break below could signal an extension lower towards €1,153/oz, which could add some additional pressure to XAUUSD currently trading relatively quietly.

COPENHAGEN. LONDON. SINGAPORE. DUBAI. PARIS. TOKYO. AND OTHER FINANCIAL CENTRES AROUND THE WORLD

WWW.SAXOBANK.COM SAXO BANK A/S Philip Heymans Allé 15 2900 Hellerup Denmark
Telephone: +45 3977 4000 Telefax: +45 3977 4200 Reuters Dealing Code: SAXO Cvr. nr. 15 73 12 49 info@saxobank.com



SERIOUS TRADING. WORLDWIDE.

Gold priced in euros under pressure from its inability to find support from a weaker dollar



While the risk of a rate hike next week from the Federal Open Market Committee stands at just 20%, the market has maintained a lingering worry that Janet Yellen and her fellow members of the FOMC may opt to strike. Several hawkish, but also one dovish, comments from Federal Reserve officials over the past week has left some members boxed in with another "no change" outcome potentially raising some credibility issues.

The gold market no matter what will be looking for direction, having failed on several occasions to break the range having been established following the Brexit rally on June 24.

Boxed in: Gold is trading between \$1,300/oz and \$1,350/oz

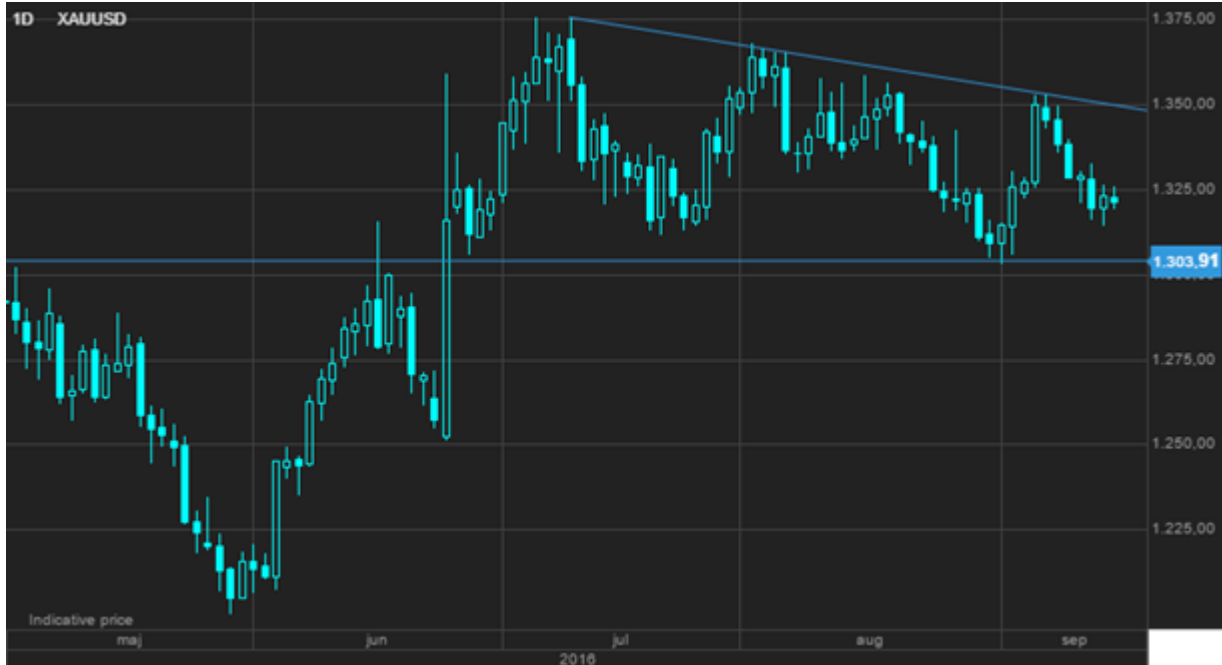
COPENHAGEN. LONDON. SINGAPORE. DUBAI. PARIS. TOKYO. AND OTHER FINANCIAL CENTRES AROUND THE WORLD

WWW.SAXOBANK.COM SAXO BANK A/S Philip Heymans Allé 15 2900 Hellerup Denmark

Telephone: +45 3977 4000 Telefax: +45 3977 4200 Reuters Dealing Code: SAXO Cvr. nr. 15 73 12 49 info@saxobank.com



SERIOUS TRADING. WORLDWIDE.



Silver has for the second time this year been through a correction extending by more than 10%. This is more than double the latest percentage drop in gold.

The white metal is nevertheless still up by 38% year-to-date compared with gold's 25% rise. That goes to show why bulls like silver. When gold walks, silver runs. Silver may be painful through corrections, but it's great when metals rally.

Why bulls like silver

COPENHAGEN. LONDON. SINGAPORE. DUBAI. PARIS. TOKYO. AND OTHER FINANCIAL CENTRES AROUND THE WORLD

WWW.SAXOBANK.COM SAXO BANK A/S Philip Heymans Allé 15 2900 Hellerup Denmark
Telephone: +45 3977 4000 Telefax: +45 3977 4200 Reuters Dealing Code: SAXO Cvr. nr. 15 73 12 49 info@saxobank.com



SERIOUS TRADING. WORLDWIDE.



COPENHAGEN. LONDON. SINGAPORE. DUBAI. PARIS. TOKYO. AND OTHER FINANCIAL CENTRES AROUND THE WORLD

WWW.SAXOBANK.COM SAXO BANK A/S Philip Heymans Allé 15 2900 Hellerup Denmark

Telephone: +45 3977 4000 Telefax: +45 3977 4200 Reuters Dealing Code: SAXO Cvr. nr. 15 73 12 49 info@saxobank.com