



DAILY METALS COMMENTARY

Monday May 01, 2017

PRECIOUS METALS COMMENTARY

05/01/17

Funding deal progress brings some light selling in gold

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD -4.10, SILVER -12.20, PLATINUM -5.50

OUTSIDE MARKET DEVELOPMENTS: Global markets started Friday with a positive tone, but then took a negative shift heading into the weekend. Risk sentiment was already subdued following weaker than expected results for French and UK GDP. However, first quarter US gross domestic product reflected the lowest growth rate in 3 years while a key private survey of consumer sentiment came in lower than forecasts. US equities found little support from decent quarterly earnings results as all 3 major indices posted moderate losses. Treasuries put together a sizable rebound from early losses to finish with a moderate gain while the Dollar managed to shake off early pressure to return to unchanged levels, only to lose upside momentum once again to finish with a modest loss. The Chinese government released "official" April manufacturing PMI and April non-manufacturing PMI readings over the weekend, with both numbers coming in lower than expected. A US government shutdown may be avoided for now as there are reports that a funding deal was reached through September. Many markets in Asia and Europe are on holiday today, although the Japanese Nikkei posted a moderate gain as it continues to benefit from a weaker Yen. The North American session will start out with March personal income which is expected to see a modest downtick from February's +0.4% reading. The April ISM manufacturing index is forecast to have a moderate downtick from March's 57.2 reading. March construction spending is expected to downtick from February's 0.8% reading. During the session, April motor vehicle sales figures will be released during the day and are forecast to see decent improvement from March's 16.6 million annualized rate.



GOLD / SILVER

The gold market was under mild pressure overnight in reaction to a bipartisan spending package the US Congress has reportedly worked out to keep the government funded through September. This strengthened the dollar, which pressured precious metals. Europe and parts of Asia were closed for the May 1st holiday, and this may have limited the market's moves, but one could also argue that the reduced volume limited liquidity. As it was looking like a deal would be reached at the end of last week, this is not a huge surprise to the market. Gold's failure to follow through on its initial sell-off early last week had suggested to us that it could be well supported on further breaks. Of course, a surprise win by Marine Le Pen in the May 7th French Presidential runoff could send the gold market soaring, and the possibility of this happening, however remote, could be keeping the bears tentative. However, her opponent is currently polling at 59-60%, so the chances of a Le Pen win appear to be extremely remote. It seems there is enough geopolitical anxiety in the world to keep gold underpinned despite the budget deal. Worries about North Korea are not going to disappear overnight. The Commitments of Traders Futures and Options report as of April 25th for Gold showed non-commercial traders were net long 196,259 contracts, a decrease of 4,084 contracts on the week. Non-commercial and nonreportable traders combined held a net long position of 211,320 contracts, a decrease of 4,005. Silver traded to its lowest level since March 15th overnight, and if it closes lower today, it will mark its 10th straight decline! The COT report showed that as of April 25th, non-commercial traders were net long 94,428 contracts of silver, a decrease of 11,034 contracts on the week. Non-commercial and nonreportable traders combined held a net long position of 109,478 contracts, down a modest 9,465 on the week. Open interest has declined about 34,000 contracts since it peaked on April 20th.

PLATINUM

While the PGM sector has given up early gains this morning, platinum has at least stayed clear of last Thursday's

2-week low. Palladium continues to have the upper hand, as it reached a new 2-year high before closing Friday with a sizable gain. Expectations of increasing Chinese auto catalyst demand continue to underpin palladium, particularly with the government there forecasting that China's vehicle sales will reach 35 million per year by 2025. Platinum has been weakened by emission difficulties with diesel engines, but may have some supply issues developing if South African labor tensions continue to smolder. The Commitments of Traders Futures and Options report as of April 25th for platinum showed non-commercial traders were net long 27,088 contracts, a decrease of 2,302 contracts on the week. Non-commercial and nonreportable traders combined held a net long position of 31,283, a decrease of 3,381. For palladium, non-Commercial traders were net long 19,826 contracts, an increase of 1,096 contracts on the week. Non-commercial and nonreportable traders combined held a net long position of 20,199 contracts, an increase of 1,005.

TODAY'S MARKET IDEAS:

The decline in the speculator net long position in gold for the week leading up to April 25th seems rather modest considering the market sold off about \$27 during that timeframe. This suggests that the longs have not given up and may even be willing buyers on breaks, but it also leaves room for spec long liquidation if sentiment turns negative. Key support in April gold comes in at \$1,259.40 and then \$1,247.70. Channel resistance comes in at \$1,278.40 today, with support at \$1,260.70. The speculator net long position in silver was only 9,465 contracts below the record high of 118,943 from the week before, despite the steep selloff over the previous week. No doubt the continued selloff since that date has resulted in more long liquidation, but we suspect there could be room for more selling. The market is oversold, but there is no indication that a low is in place. The next downside target is \$16.954. Near-term support for June palladium is at \$816.50 while near-term resistance for July platinum is at \$955.30.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

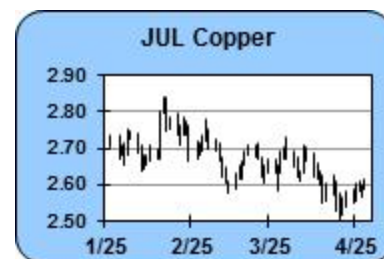
Long July gold \$1,300 call from \$19.00 with an objective of \$46.00. * Use a stop at \$9.00.

COPPER COMMENTARY

05/01/17

Chinese PMI number puts copper on the defensive early this week

GENERAL: Copper is finding mild pressure this morning, and while prices remain well clear of their recent low, the market may need to see further improvement in risk sentiment in order to extend the recovery move. On Last week July coffee finished with a gain of 5.65 cents (2.2%). Shanghai exchange copper stocks fell for a third week in a row and for the sixth time in seven weeks, which is a positive indicator for Chinese demand. The International Copper Study Group (ICSG) forecast a global supply deficit of 147,000 tonnes for this year and 169,000 tonnes for next year, another supportive factor on Friday. However, over the weekend the "official" Chinese manufacturing PMI for April came in at 51.2, well below trade forecasts. This could cast a shadow over the market early this week. The Commitments of Traders Futures and Options report as of April 25th showed non-commercial traders were net long 12,576 contracts, a decrease of 3,738 contracts on the week. Non-commercial and nonreportable traders combined held a net long position of 12,124 contracts, a decrease of 6,518.



MARKET IDEAS:

A modest improvement in global risk sentiment coming out of the weekend may provide some measure of support, but the lukewarm Chinese manufacturing PMI reading is likely to keep copper on the defensive early this week. However, consistent stock draws in Shanghai and the LME recently may help to underpin prices well above their mid-April lows. July copper will find near-term support at \$2.5720 while resistance is up at \$2.6375.

NEW RECOMMENDATIONS:

None

PREVIOUS RECOMMENDATIONS:

None

Commitment of Traders - Futures and Options - 4/18/2017 - 4/25/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Metals						
Copper	12,576	-3,738	-12,124	+6,518	-452	-2,780
Gold	196,259	-4,084	-211,320	+4,005	15,061	+79
Palladium	19,826	+1,096	-20,199	-1,006	373	-91
Platinum	27,088	-2,302	-31,283	+3,380	4,195	-1,079
Silver	94,428	-11,034	-109,477	+9,466	15,050	+1,569

METALS TECHNICAL OUTLOOK:

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

COMEX GOLD (JUN) 05/01/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market has a slightly positive tilt with the close over the swing pivot. The next downside target is now at 1262.6. The next area of resistance is around 1272.3 and 1273.9, while 1st support hits today at 1266.7 and below there at 1262.6.

COMEX SILVER (JUL) 05/01/2017: Momentum studies are declining, but have fallen to oversold levels. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is 17.030. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 17.395 and 17.550, while 1st support hits today at 17.135 and below there at 17.030.

COMEX PLATINUM (JUL) 05/01/2017: A negative indicator was given with the downside crossover of the 9 and 18 bar moving average. Momentum studies are declining, but have fallen to oversold levels. A negative signal for trend short-term was given on a close under the 9-bar moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is now at 939.70. The next area of resistance is around 954.10 and 959.70, while 1st support hits today at 944.10 and below there at 939.70.

COMEX COPPER (JUL) 05/01/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside target is at 2.63. The next area of resistance is around 2.62 and 2.63, while 1st support hits today at 2.60 and below there at 2.58.

DAILY TECHNICAL STATISTICS

	CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW STOCH D	14 DAY SLOW STOCH K	4 DAY M AVG	9 DAY M AVG	18 DAY M AVG	45 DAY M AVG	60 DAY M AVG
METALS COMPLEX										
GCAM7	1269.5	49.18	53.22	56.36	46.63	1266.70	1277.19	1272.16	1251.55	1247.95
SIAN7	17.265	21.70	31.09	21.03	9.61	17.42	17.80	18.07	17.91	17.92
PLAN7	949.10	38.23	41.83	41.19	28.81	950.95	963.52	964.62	969.61	980.42
CPAN7	2.60	52.68	49.04	36.66	46.38	2.60	2.57	2.60	2.64	2.66

Calculations based on previous session. Data collected 04/28/2017

Data sources can & do produce bad ticks. Verify before use.

DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
METALS COMPLEX						
GCAM7	COMEX Gold	1262.5	1266.6	1268.2	1272.3	1273.9
SIAN7	COMEX Silver	17.029	17.134	17.290	17.395	17.550
PLAN7	COMEX Platinum	939.70	944.10	949.70	954.10	959.70
CPAN7	COMEX Copper	2.57	2.59	2.60	2.62	2.63

Calculations based on previous session. Data collected 04/28/2017

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