



## PRECIOUS METALS COMMENTARY

05/02/17

**Gold weakens as investors continue to move towards equities.**

### OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

**GOLD +1.10, SILVER +12.30, PLATINUM +3.90**

**OUTSIDE MARKET DEVELOPMENTS:** Global markets had a surprisingly volatile start to the week considering that many nations were out on holiday. However, a deal to fund the US government through September helped to boost market sentiment in front of major risk events later on this week. After weaker



than expected Chinese PMI readings dampened risk sentiment, US data was disappointing as well with personal income, construction spending and the ISM manufacturing index all failing to match market forecasts. US equity markets were able to shake off post-US data pressure to post moderate gains, with the Nasdaq climbing up to a new record high due to strength in Apple and Facebook before earnings announcements later in the week. Treasuries picked up downside momentum before finishing Monday's trading with a sizable loss. The Dollar stayed in a tight range, but found modest support late in the day while the Yen remained under pressure recent weak Japanese data will keep the BOJ in an accommodative stance. The Caixin Chinese manufacturing PMI for April came in lower than forecast and is back to being just above the key 50.0 level. Asian equities were mixed as the Japanese Nikkei continued to benefit from a sluggish Yen while Chinese share came under pressure. European manufacturing PMI readings showed mixed results as the Euro zone was slightly below estimates, Germany and France held steady while the UK was well above forecasts. Euro zone unemployment held steady at 9.5%. European stock indices have started their holiday-shortened week with modest early gains today. The North American session will be fairly quiet as the FOMC begins their 2-day meeting, and will be highlighted by April motor vehicle sales figures that are forecast to see decent improvement from March's 16.6 million annualized rate. A big day for earnings announcement will include Pfizer, Merck, Altria, Mastercard, Archer Daniels Midland and ConocoPhillips before the Wall Street with major tech bellwether Apple, Gilead Sciences, Mondelez and Anadarko Petroleum reporting after the close.

### GOLD / SILVER

Strong earnings, higher equities and low volatility are draining interest in precious metals as investors focus on the stock market. June gold was near unchanged overnight, trading near the bottom of yesterday's range. The metals markets were lower on Monday on a wave of technical selling, reduced safe haven inflows and a slight easing in geopolitical worries. Although there was another North Korean missile test over the weekend, a deal to continue funding the US government through September clearly relieved risk anxiety across global markets. There was little in the way of safe-haven inflows into gold despite lukewarm Chinese PMI numbers and US economic data that came in lower than expected. The Fed is not expected to raise rates at the FOMC meeting this week, but traders will be on the lookout for post-meeting comments Wednesday to get a read on their posture for future increases. Equity markets closed higher, with the NASDAQ trading to a new record high, and this also pulled interest away from gold. Also, President Trump expressing a willingness to meet with the North Korean leader may have ease tensions a bit. June gold closed well below the 200-day moving average after bouncing back and forth around it for a week. This likely brought investor long liquidation in ETFs as well as the futures. The market also had an outside day down, which is negative technical indicator. Silver was slightly higher overnight but was confined to the lower end of yesterday's big range down. It led the way down yesterday, trading to its lowest level since January 27th. This market has closed lower for ten consecutive sessions. The bears are in the driver seat for both gold and silver, but silver is getting oversold.

### PLATINUM

The PGM's have shifted back into a divergent price pattern early today with platinum has the upper hand on palladium for a change.

Both metals headed in the same direction on Monday, as a combination of carryover pressure from precious metals and lukewarm risk sentiment did not bode well for prices. June palladium and July platinum both ended up with significant losses for Monday's trading session, although the platinum/palladium spread continued to contract as it closed below the \$120 level for the first time since 2002. The Chinese PMI "miss" may not bode well for that nation's near-term auto catalyst demand, but keep in mind that last year's Chinese passenger car sales were nearly 28 million vehicles compared to the 17.87 million sold in the US. In addition, the Chinese government has projected that their vehicle sales could reach 35 million per year by 2025.

#### **TODAY'S MARKET IDEAS:**

June gold broke below its recent consolidation and into the retracement zone of its March-April rally. This leaves \$1,247.70 and \$1,236 as the next downside targets. With RSI in the low 20s, July silver is oversold and due for a correction, but so far there has been no technical indicator of a low. The recent COT report suggested that there was plenty of room for more long liquidation. The next downside target is \$16.954. Near-term support for June palladium is at \$805.40 while near-term resistance for July platinum is at \$942.50.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

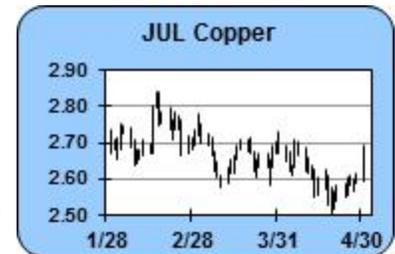
Long July gold \$1,300 call from \$19.00 with an objective of \$46.00. \*Hit risk at \$9.00.\*

## **COPPER COMMENTARY**

05/02/17

### **Chinese PMI number puts copper on the defensive**

**GENERAL:** Copper found pressure overnight and is posting a sizable loss coming into today's trading. A much weaker than expected reading for the Caixin Chinese manufacturing PMI number may have dampened expectations for upcoming Chinese copper demand. However, copper's price action Monday was in sharp contrast to other metals, as it posted a significant gain that took the market well above its recent trading range as well as its 50-day moving average for the first time since April 6th. While there was no supply/demand catalyst for copper's severe updraft, reports that miners at the Grasberg mine in Indonesia are planning to go on strike may have fueled fresh supply anxiety given the recent problems both at that mine and in Chile. LME copper stocks had a decline of more than 6,000 tonnes today, which provide some evidence of stronger global demand.



#### **MARKET IDEAS:**

Today's sluggish Caixin Chinese manufacturing PMI number has rattled the market it has raised concerns about Chinese demand prospects. With a strike at the Grasberg mine added into the equation, however, copper prices may still challenge the late March/early April highs in the near future. July copper should find near-term support at \$2.6110, while resistance is up at \$2.6760.

#### **NEW RECOMMENDATIONS:**

None

#### **PREVIOUS RECOMMENDATIONS:**

None

## **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) 05/02/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's close below the 9-day moving average is an indication the short-term trend remains negative. A negative signal was given by the outside day down. The close below the 2nd swing support number puts the market on the defensive. The next downside target is now at 1243.2. The next area of resistance is around 1266.4 and 1278.1, while 1st support hits today at 1249.0 and below there at 1243.2.

COMEX SILVER (JUL) 05/02/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's short-term trend is negative as the close remains below the 9-day moving average. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside target is 16.498. With a reading under 20, the 9-day RSI indicates the market is extremely oversold. The next area of resistance is around 17.145 and 17.457, while 1st support hits today at 16.665 and below there at 16.498.

COMEX PLATINUM (JUL) 05/02/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is 915.00. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 943.80 and 959.00, while 1st support hits today at 921.80 and below there at 915.00.

COMEX COPPER (JUL) 05/02/2017: The cross over and close above the 60-day moving average is an indication the longer-term trend has turned positive. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close above the 9-day moving average is a positive short-term indicator for trend. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The near-term upside target is at 2.75. The next area of resistance is around 2.71 and 2.75, while 1st support hits today at 2.62 and below there at 2.56.

## 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
<b>METALS COMPLEX</b>										
GCAM7	1257.7	38.62	45.92	48.81	34.25	1264.03	1273.01	1272.05	1251.44	1248.52
SIAN7	16.905	15.65	25.04	16.12	6.31	17.22	17.64	17.99	17.87	17.91
PLAN7	932.80	29.85	35.96	34.01	19.72	944.70	958.41	962.85	967.39	979.25
CPAN7	2.66	64.81	57.33	44.03	58.77	2.62	2.59	2.60	2.64	2.66

Calculations based on previous session. Data collected 05/01/2017

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

## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>METALS COMPLEX</b>						
GCAM7	COMEX Gold	1243.1	1248.9	1260.6	1266.4	1278.1
SIAN7	COMEX Silver	16.497	16.665	16.977	17.145	17.457
PLAN7	COMEX Platinum	915.00	921.80	937.00	943.80	959.00
CPAN7	COMEX Copper	2.55	2.61	2.65	2.71	2.75

Calculations based on previous session. Data collected 05/01/2017

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