



**PRECIOUS METALS COMMENTARY**  
05/05/17

**A pause in the selling but probably not a solid low**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**GOLD +5.20, SILVER +8.20, PLATINUM +6.80**



**OUTSIDE MARKET DEVELOPMENTS:** Global equity markets showed a "risk off" mood with the majority of key markets trading lower. The Asian session was relatively quiet due to a Japanese holiday, while the focus of European markets has shifted towards Sunday's second and final round of the French Presidential election. The North American session will start out with the highlight for global markets, the April employment situation report. April non-farm payrolls are expected to see a sizable improvement from March's 98,000 reading. The April unemployment rate is forecast to uptick from March's 4.5% reading while April average hourly earnings are expected to improve from March's 0.2% reading. The April Canadian unemployment rate is forecast to hold steady at 6.7% while they see modest improvement in their net employment reading. The April Canadian Ivey PMI is expected to uptick from March's 61.1 reading. March reading on US consumer credit will be released during afternoon trading hours. A busy day of Fed speakers will include Fed Vice Chair Fischer and San Francisco Fed President Williams during morning US trading hours while Fed Chair Yellen, St. Louis Fed President Bullard, Chicago Fed President Evans and Boston Fed President Rosengren will speak during the afternoon. Earnings announcement will include TransCanada Corp, Cigna, Cognizant Technology Solutions, Welltower and Moody's Corp before the Wall Street opening.

**GOLD / SILVER**

Both gold and silver remained under intensive selling pressure yesterday and we suspect part of those declines were the result of margin and capital liquidation pressures. In retrospect the bull camp has to be extremely disappointed that noted weakness in the dollar was virtually discounted yesterday but significant weakness in crude oil, copper and grain prices clearly fostered a broad-based commodity liquidation environment. One might suggest that gold and silver were undermined this week as result of declining political anxiety from the French election situation, declining macroeconomic uncertainty because of favorable flow of US scheduled data and perhaps most specifically as a result of an inching up of US rate hike fears for next month. While gold is poised to finish the week with large losses the looming French election could illicit some safe haven buying or at the least short covering by recent sellers into the close. Another potentially supportive development for gold this morning is reports that Indian gold demand rose by 15% in the first quarter. The world's largest gold ETF saw their holdings fall by 0.28 tonnes on Thursday as they declined to the lowest level since April 18th. With the last COT positioning report showing a net spec and fund long in gold of 211,000 contracts and silver showing a net spec and fund long of 109,000 contracts it is not surprising to see an extensive an ongoing long liquidation pattern. In fact, without more significant declines in the dollar and or a surprise incident from the geopolitical front, we are hesitant to call for an end to this week's selling. The key event of the day might be US payrolls which could strengthen the Dollar and reduce economic uncertainty in the event the report surprises on the upside.

**PLATINUM**

Early in the week, we thought the selling in the PGM complex was the result of sagging economic data and declines in various global auto sales figures. However, it is now apparent that spillover pressure from gold, silver and other physical commodities added into the bearish environment for platinum and palladium. We do think platinum and palladium have become extensively overdone and the ability to reject a fresh new low for the move and the lowest price in nearly a year on Thursday hints at some form of a bottom. It is also possible that news of an acquisition within the platinum mining space helped July platinum respect this week's lows around \$900. The

rejection of a significant washout in palladium was even more significant as the June palladium contract finished the Thursday trade nearly \$15 above the day's lows. Like copper, the PGM complex needs better economic psychology, more weakness in the dollar and fresh demand news to reverse the selling trend this week and return to the general bull market environment that has been in place in palladium since late October 2016.

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

From a technical perspective, it is probably premature to call for a sudden low in gold and silver. From a fundamental perspective, it would appear as if the selloff this week has become overdone as there is some residual uncertainty from this weekend's French election and the deflationary environment from yesterday has moderated somewhat. We also think the June gold contract has garnered some support from the \$1,225 level and it has managed to claw out some minor gains this morning. Unfortunately for the July silver contract it remains well above the next potentially critical psychological level of \$16.00 and with the most recent net spec and fund long reading of 109,000 contracts that could mean the market remains somewhat vulnerable. To quickly turn the tide in favor of the bull camp probably requires a major safe haven event from the global stage and/or a massive slide in the US dollar to end the trading week. If payrolls are above +190,000 that could result in a resumption of selling in gold and silver.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

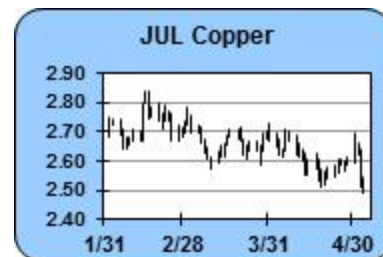
None.

## **COPPER COMMENTARY**

**05/05/17**

### **We think copper remains somewhat vulnerable today**

**GENERAL:** Like other physical commodities, the copper market extended its pattern of declines yesterday because of a long list of bearish themes. In fact with the slide on Thursday, copper prices reached down to the lowest level since December 2016 in a move that had to disappoint the bull camp. In addition to fears of rising LME exchange stocks, the copper market was also indirectly undermined by massive weakness in gold and crude oil prices. It goes without saying that copper is undermined as result of a 3-day London Metal Exchange (LME) copper warehouse stocks inflow of nearly 100,000 tonnes. Fortunately for the bull camp the market was presented with a decline in Shanghai copper stocks of 14,130 tons this morning. Other issues adding into the negative supply-side argument was news that Chinese refined copper production was up 8.5% in March relative to year ago levels. Unfortunately for the bull camp, supportive issues are being discounted by the copper trade as GFMS reported yesterday that global copper mine output in the first three months of 2017 declined and US scheduled data yesterday was generally much better than it expected and yet copper prices remained under pressure.



#### **MARKET IDEAS:**

On one hand, July copper did fail to hold \$2.50 but on the other hand, it did reject that slide and it has respected that level again in the early going today. However, an extension of a recent pattern of massive daily LME copper warehouse stock inflows should leave the bear camp with an edge into and through the last trading session of the week. On the other hand the last COT spec and fund long reading in copper was just above 12,000 contracts and the market since that report mark off has been down (at times) more than 11 cents, and that could leave copper technically leveled. To call for a solid low probably requires at least several days of respect for the \$2.50 level, and a distinct improvement in global economic sentiment.

#### **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) 05/05/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The close below the 9-day moving average is a negative short-term indicator for trend. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is 1215.3. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 1236.9 and 1247.3, while 1st support hits today at 1220.9 and below there at 1215.3.

COMEX SILVER (JUL) 05/05/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market tilt is slightly negative with the close under the pivot. The next downside objective is 15.973. More downside action may be limited by the RSI under 20 putting the market in extremely oversold territory. The next area of resistance is around 16.590 and 16.832, while 1st support hits today at 16.160 and below there at 15.973.

COMEX PLATINUM (JUL) 05/05/2017: The market made a new contract low on the break. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's short-term trend is negative as the close remains below the 9-day moving average. The daily closing price reversal up is a positive indicator that could support higher prices. The market's close below the pivot swing number is a mildly negative setup. The next downside target is now at 888.60. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 912.70 and 918.60, while 1st support hits today at 897.70 and below there at 888.60.

COMEX COPPER (JUL) 05/05/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 2.46. The next area of resistance is around 2.54 and 2.57, while 1st support hits today at 2.49 and below there at 2.46.

## 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	1228.9	23.43	32.94	28.40	15.51	1247.48	1259.22	1270.56	1250.54	1249.08
SIAN7	16.375	10.59	19.28	8.01	4.39	16.63	17.13	17.70	17.74	17.85
PLAN7	905.20	20.87	28.43	17.95	10.79	916.90	936.82	954.72	959.30	974.10
CPAN7	2.51	33.97	37.58	44.07	34.15	2.59	2.59	2.58	2.63	2.66

Calculations based on previous session. Data collected 05/04/2017

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	1215.3	1220.9	1231.3	1236.9	1247.3
SIAN7	COMEX Silver	15.972	16.160	16.402	16.590	16.832
PLAN7	COMEX Platinum	888.60	897.70	903.60	912.70	918.60

CPAN7 COMEX Copper 2.46 2.48 2.51 2.54 2.57

Calculations based on previous session. Data collected 05/04/2017

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