



DAILY METALS COMMENTARY

Monday May 08, 2017

PRECIOUS METALS COMMENTARY

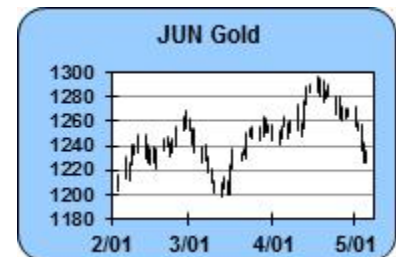
05/08/17

We expect further erosion in prices to start this week

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD +8.00, SILVER +11.60, PLATINUM +10.60

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were evenly mixed with winners and losers geographically distributed. Over the weekend, the second round of the French Presidential election resulted in an expected victory by centrist Emmanuel Macron, which should lower risk concerns in Europe and around the globe. The Asian session was highlighted by an April reading on the Chinese trade balance which showed a sizable increase in their monthly surplus but the level of exports and imports both missed forecasts on the downside. The European session started out with March German factory orders which managed a 1% gain in the face of expectations for a contraction. A private survey of April UK house prices was expected to see a minor downtick from March's 3.8% year-over-year rate and that was the first decline in prices since 2012. The April Sentix survey of Euro zone investor confidence saw a moderate uptick from March's 23.9 reading. The North American session will be relatively quiet data wise and will be highlighted by an April reading for the Fed's labor market conditions index. Fed speakers will include St. Louis Fed President Bullard and Cleveland Fed President Mester during US morning trading hours. Earnings announcements will include Sysco, Tyson Foods, Newell Brands and First Data before the Wall Street opening while EOG Resources and Marriot International report after the close.



GOLD / SILVER

As in other industrial commodities, the gold and silver markets were punished last week with a slide in prices that accelerated over the last three trading sessions of the week. Surprisingly, gold and silver don't appear to be sensitive to developing and moderately significant declines in the US dollar and with the Dollar clawing its way back into positive ground this morning the idea of support from currency action is dented. With the markets getting beyond uncertainty from the French election, fresh chart damage in both gold and silver overnight and residual overdone long positioning, it is difficult to call for an end to the slide in precious metals prices. One might also suggest economic uncertainty was deflated late last week by a sudden improvement in US scheduled data. Other issues that might leave the bias pointing down is news that Chinese gold reserves at the end of March were unchanged on the month and total gold derivative holdings have eroded from last week's peak. As we indicated at times last week, the net spec and fund long in the silver market leaves it the most vulnerable precious metals market from a technical perspective. The Commitments of Traders Futures and Options report as of May 2nd for Gold showed Non-Commercial and Non-reportable combined traders held a net long position of 200,332 contracts. The Commitments of Traders Futures and Options report as of May 2nd for Silver showed Non-Commercial and Non-reportable combined traders held a net long position of 88,036 contracts. While the silver long decline saw a decrease of 21,442 contracts in the net long position held by these traders, the net long positioning is probably overstated because of the post report high to low slide of \$0.62 an ounce.

PLATINUM

As opposed to gold and silver, the PGM complex has clearly shown a rejection of last week's lows with sizable recovery bounces. We suspect that the brunt of the recovery action was the result of an improvement in US economic readings as that in turn could help pull forward the global economy and help rekindle global auto sales. With the chart structures in both platinum and palladium significantly better looking than either gold or silver, last week's washout probably balanced technical conditions and that sets the PGM markets up for even further gains ahead. If one were to adjust the platinum spec and fund long to the lows last week, it is possible that platinum

specs held the lowest long positioning since late 2012. Unfortunately for the bull camp, uptrend channel support in June palladium isn't seen until \$788.55 but closer-in support in the June contract is probably seen at the psychological \$800 level. Even the platinum market looks as if it has made a low on the charts with a clear rejection of the sub \$900 level. The Commitments of Traders Futures and Options report as of May 2nd for Platinum showed Non-Commercial and Non-reportable combined traders held a net long position of 22,181 contracts. The Commitments of Traders Futures and Options report as of May 2nd for Palladium showed Non-Commercial and Non-reportable combined traders held a net long position of 21,857 contracts.

TODAY'S MARKET IDEAS:

As indicated already, we are doubtful that June gold this week will avoid further declines with the spec long remaining lofty and the fundamental story lacking fresh bullish themes. While we favor the bear case in gold early this week, traders should view the \$1,225.00 level as a potentially critical bull/bear pivot point. Pushed into the market we favor the downside in gold and we suspect that the June contract will spend some time below the \$1,225 level this week. As we have also suggested, the silver market's net spec and fund long still remains excessive and it could be difficult to avoid at least a temporary retest of the \$16.00 level.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

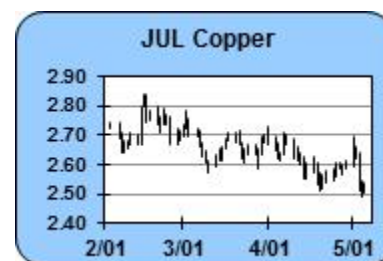
None.

COPPER COMMENTARY

05/08/17

Slack Chinese import demand & chart damage is bearish

GENERAL: While the net spec and fund long in copper has come down significantly and if adjusted for the washout at the end of last week, it would probably be significantly lower than posted, we are skeptical of a bottoming in the wake of the fresh damage on the charts this morning. With news that Chinese unwrought copper imports declined 32% in April from March the trade would seem to have a definitively bearish tilt to start the new trading week. The market remains fearful of last week's massive buildup of LME copper warehouse stocks but that potentially undermining force was truncated by a 3,100 ton decline this morning. Fortunately, the net spec and fund long adjusted to the lows last Thursday might have reached a "leveled" positioning and the US economic outlook at the end of last week improved markedly. Another minor supportive issue for copper was seen with a decline in weekly Shanghai copper stocks and the market should also benefit from ongoing weakness in the US dollar. The Commitments of Traders Futures and Options report as of May 2nd for Copper showed Non-Commercial and Non-reportable combined traders held a net long position of 19,520 contracts.



MARKET IDEAS:

While Gold Fields Mineral Services last week reported first quarter copper mining output to have declined by 1.5% over year ago levels slack demand news from China, fresh damage on the charts and a minimal risk-off vibe being thrown off by equity markets should leave the bear camp in control. In order to put the bear camp off balance to start the week might require a clear rejection of the sub \$2.50 level before the close today, and at least a temporary bounce back above \$2.5135.

NEW RECOMMENDATIONS:

None

PREVIOUS RECOMMENDATIONS:

None

	Non-Commercial		Net Position	Commercial		Non-Reportable	
	Net Position	Weekly Net Change		Net Position	Weekly Net Change	Net Position	Weekly Net Change
Metals							
Copper	18,526	+5,950	-19,521	-7,397	994	+1,446	
Gold	185,006	-11,253	-200,332	+10,988	15,326	+265	
Palladium	21,365	+1,539	-21,857	-1,658	492	+119	
Platinum	16,885	-10,203	-22,182	+9,101	5,296	+1,101	
Silver	71,812	-22,616	-88,036	+21,441	16,224	+1,174	

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) 05/08/2017: 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 1220.4. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 1234.2 and 1240.0, while 1st support hits today at 1224.4 and below there at 1220.4.

COMEX SILVER (JUL) 05/08/2017: Daily stochastics are trending lower but have declined into oversold territory. The market's close below the 9-day moving average is an indication the short-term trend remains negative. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is now at 16.065. With a reading under 20, the 9-day RSI indicates the market is extremely oversold. The next area of resistance is around 16.500 and 16.665, while 1st support hits today at 16.200 and below there at 16.065.

COMEX PLATINUM (JUL) 05/08/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market has a slightly positive tilt with the close over the swing pivot. The next downside target is now at 896.43. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 921.65 and 927.82, while 1st support hits today at 905.95 and below there at 896.43.

COMEX COPPER (JUL) 05/08/2017: 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 target is now at 2.50. The next area of resistance is around 2.55 and 2.56, while 1st support hits today at 2.52 and below there at 2.50.

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	1229.3	24.20	33.35	22.76	11.59	1240.85	1253.83	1269.17	1250.38	1248.85
SIAN7	16.350	13.52	21.06	6.98	4.92	16.51	16.95	17.61	17.71	17.83
PLAN7	913.80	29.63	33.62	17.22	15.02	912.98	931.97	953.42	957.59	972.33
CPAN7	2.53	38.17	40.27	38.98	28.80	2.55	2.59	2.58	2.63	2.65

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

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	1220.4	1224.4	1230.2	1234.2	1240.0

SIAN7	COMEX Silver	16.065	16.200	16.365	16.500	16.665
PLAN7	COMEX Platinum	896.42	905.95	912.12	921.65	927.82
CPAN7	COMEX Copper	2.49	2.51	2.52	2.55	2.56

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

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