



DAILY METALS COMMENTARY Tuesday May 09, 2017

PRECIOUS METALS COMMENTARY

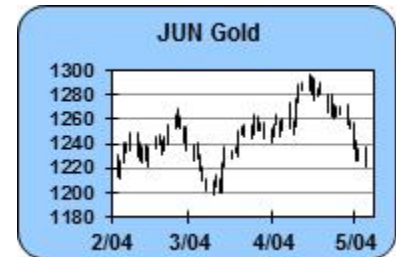
05/09/17

There is no reason to call for a sudden low in gold & silver

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD -1.30, SILVER -2.80, PLATINUM -7.00

OUTSIDE MARKET DEVELOPMENTS: Global markets were generally higher overnight with the exceptions the All Ordinaries, TOPIX and the CSI 300. The Asian session was fairly quiet data-wise, while the European session started out with April Swiss unemployment which was expected to downtick from March's 3.3% reading but instead it held steady after the prior month was revised higher by 0.1%. The March German trade balance was as forecast showed a modest downtick from February's surplus, with exports slightly weaker than last month and imports showing significant gains over the prior month. The North American session will start with the March job openings and labor turnover (JOLTS) survey that is forecast to show a moderate decrease from the February reading. March wholesale inventories are expected to hold steady with February's -0.1% reading. Minneapolis Fed President Kashkari will speak during morning US trading hours while Boston Fed President Rosengren and Dallas Fed President Kaplan will speak during the afternoon. Earning announcements will include Allergan, Aon and Sempra Energy before the Wall Street opening while Walt Disney, Priceline Group and NVIDIA report after the close.



GOLD / SILVER

While the gold market managed to rise above last Friday's high in the first trading session of the week yesterday, the market also saw a downside extension and it has remained close to the prior sessions low in the early going today and that leaves the technical picture in the favor of the bear camp. Fortunately for the bull camp, both gold and silver saw soft volume in the wake of weak price action yesterday, and that might suggest the bear contingent is mostly without resolve. Other issues that the bull camp might have to contend with today are ongoing US rate hike stories (there are 3 Fed speeches today), strength in the Dollar and little in the way of fresh geopolitical angst. However, with the latest round of new all-time highs in the E-Mini S&P and the Mini-Nasdaq that might pull some money away from safe haven interest instruments like gold and silver. The world's largest gold ETF saw their holdings fall by 1.19 tonnes on Monday and reached their lowest level since April 18th. An important development overnight was seen from a story highlighting a significant jump in Indian gold imports for March relative to year ago levels but the year ago figures were artificially low due to the Indian de-monetization scheme. Lastly news that the top 10 global gold producers posted a significant decline in output last year might be supportive especially since the reduction in output last year was partially the result of sustainable issues such as declining capital expenditures and investment outflows.

PLATINUM

While the PGM complex has clearly outperformed the rest of the metals complex from last week's lows the trade this morning is underperforming given its fundamental news flow! In other words the PGM complex is not reacting positively to Gold Fields Mineral Services prediction of an expansion in the world wide deficit. Apparently production is expected to contract slightly from South African mines and the consultancy also thinks that palladium will continue to have tighter supply fundamentals than platinum and that is clearly manifest in the 6 month old uptrend pattern in palladium prices. It would also seem like platinum and palladium should benefit from improved macroeconomic psychology of late and the prospect of improved physical demand from the passing of the French election, strong US payrolls and the latest round of new all-time highs in US equities. Apparently weakness in gold, residual weakness in energy prices and strength in the dollar has more than counter-veiled the potential positives as prices are showing weakness to start today. However, given the positive news flow from the

US economic front we suggest that June palladium is a buy on a return to uptrend channel support that comes in today at \$790.48. While July platinum has returned to the \$925 pivot point on its charts, we see thick overhead resistance from the bottom of the March and April consolidation up at \$938.40.

TODAY'S MARKET IDEAS:

As indicated already, we leave the edge with the bear camp in gold and silver especially if the dollar remains strong again today. While some safe haven incident could arise, the number of imminent safe haven threats is much lower than were present into the April highs in June gold. However the \$1,225 level continues to be some form of pivot point support for gold as that level was generally respected over the last 3 sessions and it is trying to hold prices up in the early going today. The 50-day moving average in June gold today comes in up at \$1,249.20 but a more important pivot point in gold today might be seen down at \$1,221. We continue to be concerned with the net spec and fund long in the silver market as the most recent spec long was 88,000 contracts as of May 2nd. Granted, silver prices have come down significantly and there appears to be some measure of consolidation support around \$16.21 but we still think the odds of a \$16.00 test are high in the coming trading sessions.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

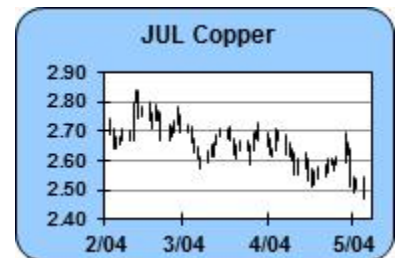
None.

COPPER COMMENTARY

05/09/17

Slack Chinese demand should now be priced in

GENERAL: The path of least resistance in the copper market remains down as the market has discounted a daily decline in LME copper stocks yesterday and again overnight (-8,725 tons overnight)! However, the copper market was presented with a definitively negative decline in Chinese unwrought copper import data yesterday and with predictions that world copper mining capacity is set to recover in the months ahead, that clearly leaves the bear camp with a fundamental edge. In fact with definitive damage on the copper chart to start the week, the only readily available potential bull item is the prospect that the net spec and fund long has now been virtually eliminated with the sharp May declines. In retrospect, the failure to respect the \$2.50 level in the wake of the positive US payrolls and new all-time highs in various US equity market measures leaves the bear camp confident especially in the wake of recent chart damage.



MARKET IDEAS:

As indicated already, the bull camp has to be very disappointed with the failure to hold the potential key pivot point of \$2.50 in the July copper contract. If there is consolation for the bull camp, it comes in the form of declining open interest and weak volume on the latest slide in prices. However, for some longer-term technicians, the failure to hold the December 27th low of \$2.4625 would present the copper market with a massive broadening top formation that could project prices down to the \$2.40 level. In our opinion, the market is near a low but still vulnerable to residual liquidation from weak handed longs. We certainly don't see the justification for the specs to build a net short position given more favorable geopolitical and economic conditions of late.

NEW RECOMMENDATIONS:

Buy July copper at \$2.4755 with an objective of \$2.61. Risk the trade to \$2.4470.

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) 05/09/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. A negative signal for trend short-term was given on a close under the 9-bar moving average. The daily closing price reversal up is a positive indicator that could support higher prices. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 1212.1. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 1234.9 and 1243.8, while 1st support hits today at 1219.1 and below there at 1212.1.

COMEX SILVER (JUL) 05/09/2017: 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 16.100. Selling may soon dry up since the RSI is under 20 indicating the market is extremely oversold. The next area of resistance is around 16.375 and 16.520, while 1st support hits today at 16.165 and below there at 16.100.

COMEX PLATINUM (JUL) 05/09/2017: A bullish signal was given with an upside crossover of the daily stochastics. Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The market's short-term trend is negative as the close remains below the 9-day moving average. Market positioning is positive with the close over the 1st swing resistance. The next upside objective is 932.62. The next area of resistance is around 926.55 and 932.62, while 1st support hits today at 912.85 and below there at 905.23.

COMEX COPPER (JUL) 05/09/2017: 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. The outside day down and close below the previous day's low is a negative signal. The close below the 1st swing support could weigh on the market. The next downside objective is now at 2.43. The next area of resistance is around 2.52 and 2.57, while 1st support hits today at 2.46 and below there at 2.43.

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	1227.0	22.83	32.31	18.08	9.59	1232.75	1249.10	1266.42	1250.27	1248.59
SIAN7	16.270	10.24	18.86	5.44	3.15	16.35	16.79	17.49	17.67	17.80
PLAN7	919.70	35.49	37.08	17.31	18.43	910.48	927.34	950.44	955.77	970.50
CPAN7	2.49	33.27	36.76	33.25	21.79	2.52	2.57	2.57	2.62	2.65

Calculations based on previous session. Data collected 05/08/2017

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	1212.0	1219.0	1227.9	1234.9	1243.8
SIAN7	COMEX Silver	16.100	16.165	16.310	16.375	16.520
PLAN7	COMEX Platinum	905.22	912.85	918.92	926.55	932.62
CPAN7	COMEX Copper	2.42	2.45	2.50	2.52	2.57

Calculations based on previous session. Data collected 05/08/2017

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