



DAILY METALS COMMENTARY Wednesday May 10, 2017

PRECIOUS METALS COMMENTARY

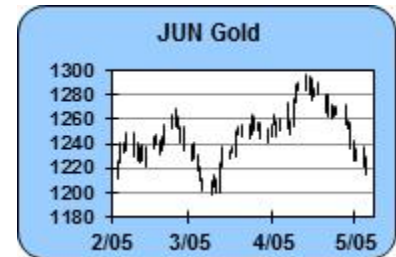
05/10/17

Selling pause could turn into a recovery if Korean issues surface

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):

GOLD +8.20, SILVER +20.30, PLATINUM +10.40

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were mixed overnight. The Asian session saw the latest reading on Chinese inflation, with April CPI posting a rise over the prior month. March readings for the Japanese leading economic index and Japanese coincident index were released with leading indicators showing a moderate expansion compared to last month and coincident readings falling and at least partly offsetting the leaders result. The European session saw March EU trade balance figures move to a surplus with March French industrial production coming in much stronger than expected. The North American session will be fairly quiet data-wise and will feature the April export price index and April import price index that are both expected to come in at slightly above unchanged levels. Boston Fed President Rosengren and Minneapolis Fed President Kashkari will speak during afternoon US trading hours. Earning announcements include Twenty-First Century Fox, NetEase, Snap and Symantec after the Wall Street close.



GOLD / SILVER

The trade this morning seems to be suggesting that weakness in the dollar has prompted a sharp short covering bounce from the eight week low forged yesterday but we doubt that connection. However the gold market apparently started its recovery bounce close proximity to news that the president fired the head of the FBI but we also think that connection is highly suspect and clearly overdone. On the other hand the press is shaping the firing of the FBI director into a sign that the Trump administration remains in disarray and that probably rekindles some flight to quality buying. The most likely source of the bounce in the gold market is rumblings that North Korea is poised to perform yet another nuclear test. Many believe the US and Japan are poised to respond aggressively in the event of any provocation from North Korea. However there is a problem with the safe haven buying argument as platinum, palladium and copper are all trading higher and that argues against a safe haven angle. Another minor issue that might be providing some support to gold prices this morning is word of a labor issue at Central Rand gold but again that threat against supply isn't overly significant. In conclusion, gold and silver probably deserved some technical bounce action following the sharp range down exhaustion type selling in the prior trading session but we are highly skeptical of predictions for a solid low and a rally ahead.

PLATINUM

Apparently the bullish tide in the PGM complex has been thwarted again as the markets experienced a technical meltdown yesterday similar to the ultra-weak action in gold and silver. In fact there was sharp slide in PGM prices yesterday in the face of Gold Fields Mineral Services forecast of a widening platinum deficit in 2017! Therefore it would appear that prices are being driven down by forces beyond internal supply and demand. The actual expansion of the platinum deficit was roughly 175,000 ounces, but that news was offset by reduced jewelry buying from China. GFMS also predicted platinum mine output fell by 2% last year at the same time that Chinese scrap selling increased. The PGM consultancy predicted palladium prices would touch \$850 and indicated the market would remain in a deficit condition. In conclusion, internal fundamentals should support prices but any renewed strength in the dollar, a resumption of liquidation of physical commodities and any spillover pressure from gold and silver has left the bear camp with a temporary edge. The 50 day moving average in June palladium is seen at \$788.80 with uptrend channel support seen slightly further out at \$787.40.

TODAY'S MARKET IDEAS:

The best hope of the bull camp was a surprise geopolitical event and that was partially satisfied by the firing of the US FBI Director overnight but the market might be expected to get more lift from rumors that North Korea is poised for another missile test as the US and others have moved assets into the area as if they plan to respond to any act of aggression by North Korea. Gold and silver deserved some corrective technical bounce but without the Korean conflict a slight decline in the Dollar and the firing of the FBI Director shouldn't be enough to completely arrest the month long slide in gold and silver prices. In order to turn the tide fully back in favor of the bull camp today probably requires a rally in June gold back above \$1,228.70 and or a rise back above \$16.258 in July silver.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COPPER COMMENTARY

05/10/17

We think copper remains vulnerable to more selling

GENERAL: The copper contract yesterday managed to waffle around both sides of unchanged, and it also managed to spend the entire Tuesday trade well above the prior session's spike lows which hints at a possible low. However, a large portion of the capacity to bounce in copper this week is probably the result of short-term oversold technical conditions and not necessarily because of a favorable shift in fundamentals. We do think copper should derive some support from a redeveloping pattern of declines in daily LME copper stocks, but also from an increase in US job openings yesterday as those readings followed positive US claims, strong payrolls and a decline in the US unemployment rate. However, fears of waning Chinese demand are difficult to eradicate from copper market psychology, especially given the importance of Chinese demand to the world copper supply/demand equation.



MARKET IDEAS:

At least in the early going today price action in copper hardly elicits strong bullish optimism as prices have generally held under \$2.50 and have carved out a fairly narrow range. While Chinese inflation showed an uptick that hardly serves to rekindle optimism toward Chinese copper demand and the copper market is also facing slightly less economic optimism in the wake of overnight events. Critical support in July copper today is seen at \$2.4805 and it probably takes a close above \$2.52 to begin to temper bearish confidence. Pushed into the market today we favor a sell rallies approach.

NEW RECOMMENDATIONS:

Buy July copper down at \$2.4725 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) 05/10/2017: Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market tilt is slightly negative with the close under the pivot. The next downside objective is 1207.2. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 1228.8 and 1235.9, while 1st support hits today at 1214.4 and below there at 1207.2.

COMEX SILVER (JUL) 05/10/2017: Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 15.929. Selling may soon dry up since the RSI is under 20 indicating the market is extremely oversold. The next area of resistance is around 16.307 and 16.438, while 1st support hits today at 16.053 and below there at 15.929.

COMEX PLATINUM (JUL) 05/10/2017: The daily stochastics gave a bearish indicator with a crossover down. 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 setup is somewhat negative with the close under the 1st swing support. The next downside target is now at 887.63. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 916.25 and 928.62, while 1st support hits today at 895.75 and below there at 887.63.

COMEX COPPER (JUL) 05/10/2017: The downside crossover (9 below 18) of the moving averages suggests a developing short-term downtrend. Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market tilt is slightly negative with the close under the pivot. The next downside objective is 2.47. The next area of resistance is around 2.51 and 2.53, while 1st support hits today at 2.48 and below there at 2.47.

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	1221.6	20.68	30.32	15.28	9.64	1226.05	1244.38	1263.28	1250.11	1248.30
SIAN7	16.180	9.59	18.09	4.93	3.91	16.25	16.65	17.37	17.63	17.77
PLAN7	906.00	29.40	32.91	17.00	16.38	910.85	922.61	947.00	954.09	968.68
CPAN7	2.49	34.35	37.43	28.20	18.08	2.51	2.56	2.57	2.62	2.65

Calculations based on previous session. Data collected 05/09/2017

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	1207.1	1214.4	1221.5	1228.8	1235.9
SIAN7	COMEX Silver	15.928	16.052	16.183	16.307	16.438
PLAN7	COMEX Platinum	887.62	895.75	908.12	916.25	928.62
CPAN7	COMEX Copper	2.46	2.47	2.49	2.51	2.53

Calculations based on previous session. Data collected 05/09/2017

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