



DAILY METALS COMMENTARY

Thursday May 11, 2017

PRECIOUS METALS COMMENTARY

05/11/17

Fresh fundamentals help to support but not drive gold upward

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD +3.80, SILVER +13.80, PLATINUM +7.10

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were mixed with more markets trading higher than lower. The Asian session was highlighted by the April Eco Watchers survey which saw an "as expected" uptick from March's 47.4 reading. The European session started out with April Swiss CPI which was forecast to see a minimal downtick from March's +0.6% year-over-year rate. The April German wholesale price index was expected to see a modest uptick from March's unchanged reading but that reading was unchanged. March UK industrial and manufacturing production as expected saw modest downticks from their February readings. The highlight for the European session will be the results of the latest Bank of England monetary policy meeting which is expected to have no changes to rates or policy. The North American session will start out with a weekly reading on initial jobless claims which are forecast to see a modest increase from the previous 238,000 level. The April producer price index is expected to see a minimal downtick from March's 2.3% year-over-year rate. New York Fed President Dudley will speak during morning US trading hours. Earnings announcements will include Enbridge and BT Group before the Wall Street opening.



GOLD / SILVER

While June gold spent the majority of yesterday's trade in positive territory, it mostly remained below the prior sessions high and the prior day's low in a manner that might point to a key trend decision before the end of this week. While gold and silver started to bounce Tuesday in the wake of the FBI/Comey firing, we have to wonder if that issue alone is capable of driving prices upward over a series of days.

However the bull camp appears to have found a couple supportive overnight developments that could help to cushion prices/drive gold into positive territory today. The most important overnight development came from India where April gold imports managed a significant jump versus year ago levels. Indian gold imports for the month of April reached 102 tons from just 22 tons a year ago and while part of that jump is the result of abnormally low imports last year (due to government restrictions and taxes) it is clear that India is likely to be back in the import posture in the coming months. In fact an Indian official suggested imports would remain high for 2 to 3 months and he also suggested domestic gold supply was nearly exhausted. Another issue lending some initial support to the gold market is a sharp decline in the dollar but for that issue to become a definitive support to gold today probably requires a decline in the June dollar index back below 99.34. Traders should not discount the prospect of international safe haven buying resolve returning off a change of leadership in South Korea as that could foster a response from North Korea especially with the new South Korean leader indicated it was a priority to quickly address the nuclear threat from the north.

PLATINUM

So far, platinum prices have largely failed to fully benefit from a recent market deficit projection, but it does appear as if the \$900 level has become some form of value to the trade and this week's overall news has left the bulls in control. As for the palladium market, it remains within its longer term uptrend pattern on its charts and many will suggest it maintains a much more bullish fundamental set up than platinum. It is our opinion that the PGM complex this week has benefited more from periodic safe haven spurts as opposed to improved demand prospects. Technically, June palladium violated a 5 1/2 month old uptrend channel support line at \$792.05 yesterday but it quickly rejected that slide and clawed its way back into the uptrend channel which should leave the bulls with the edge today. While both PGM markets have found what appears to be fundamental value zones

it could take a definitive return to risk on conditions for prices to quickly recover back toward this month's high.

TODAY'S MARKET IDEAS:

While the gold market showed some recovery bounce off the surprise change of leadership at the US FBI, we are having trouble justifying a definitive uptrend wave as gold failed to spring higher off very bullish Indian gold import demand news overnight. In fact, with the dollar under pressure this morning and the Indian import news we would have expected something more than a couple dollar bounce in gold prices. However, with a Fed member yesterday calling for three more rate hikes this year and sloppy looking charts the bull camp still appears to be fighting an uphill battle. However, gold and silver should see some cushion from the fact that price measures this week in both China and the US have picked up and the market should also benefit from a stellar recovery in crude oil prices. Without a trade and close back above \$1,228.70 today we have to leave the edge with the bear camp. A critical pivot point in June gold today on the downside is seen at \$1216.10 with similar pivot point support on the downside in July silver seen at \$16.12. In conclusion, the FBI geopolitical windfall to gold and silver is probably a one off development and the market doesn't seem to be overly interested in a jump in Indian gold imports.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

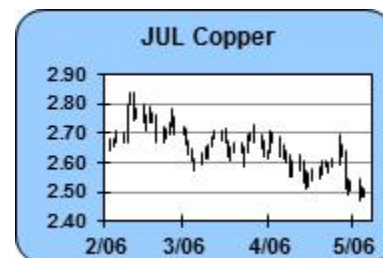
None.

COPPER COMMENTARY

05/11/17

Lower Chilean production & declining LME stocks bullish

GENERAL: With the copper market waffling around both sides of unchanged yesterday, and breaking out above this week's trading range overnight it would appear as if the market has made at least a temporary low. With very positive initial action today on the charts, a 4th straight decline in daily LME copper warehouse stocks overnight and news of a decline in Chilean copper production in March the recovery is justified by classic fundamentals. In fact production at the Escondida mine in the month of March was down by 63% because of the strike. However that information was partially counter veiled by predictions of a world refined copper market surplus of 170,000 tons overnight, (from a private consultancy) and the market is also limited from reports that January through March Russian copper exports rose.



MARKET IDEAS:

Charts in the copper market overnight have shifted favor to the bull camp with the market springing sharply up and away from the consolidation zone around the \$2.50 level. We continue to think the \$2.50 level is an extremely critical bull/bear line on the charts and with a couple closes above that level today and Friday that could begin to pull back some spec and fund longs. Initial support today is now seen at \$2.5175 and a normal retracement bounce targets \$2.5573.

NEW RECOMMENDATIONS:

Buy July copper down at \$2.4875 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) 05/11/2017: Momentum studies are declining, but have fallen to oversold levels. The market's short-term trend is negative as the close remains below the 9-day moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is now at 1212.3. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 1223.5 and 1228.8, while 1st support hits today at 1215.3 and below there at 1212.3.

COMEX SILVER (JUL) 05/11/2017: Daily stochastics are trending lower but have declined into oversold territory. The close below the 9-day moving average is a negative short-term indicator for trend. A positive setup occurred with the close over the 1st swing resistance. The next downside target is 16.025. The 9-day RSI under 20 suggests the market is extremely oversold. The next area of resistance is around 16.305 and 16.425, while 1st support hits today at 16.105 and below there at 16.025.

COMEX PLATINUM (JUL) 05/11/2017: The daily stochastics have crossed over up which is a bullish indication. The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside target is at 922.62. The next area of resistance is around 919.25 and 922.62, while 1st support hits today at 907.75 and below there at 899.63.

COMEX COPPER (JUL) 05/11/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The close below the 9-day moving average is a negative short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The next downside target is now at 2.47. The next area of resistance is around 2.50 and 2.52, while 1st support hits today at 2.49 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	1219.4	23.49	31.17	11.88	6.88	1222.38	1238.60	1259.14	1249.98	1248.05
SIAN7	16.205	18.33	22.74	4.16	3.75	16.20	16.51	17.23	17.60	17.74
PLAN7	913.50	38.09	38.27	16.47	16.67	911.08	918.14	943.18	952.85	967.10
CPAN7	2.49	33.94	37.14	23.92	15.31	2.50	2.55	2.56	2.61	2.64

Calculations based on previous session. Data collected 05/10/2017

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	1212.2	1215.2	1220.5	1223.5	1228.8
SIAN7	COMEX Silver	16.025	16.105	16.225	16.305	16.425
PLAN7	COMEX Platinum	899.62	907.75	911.12	919.25	922.62
CPAN7	COMEX Copper	2.46	2.48	2.49	2.50	2.52

Calculations based on previous session. Data collected 05/10/2017

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