



PRECIOUS METALS COMMENTARY
05/12/17

Positive technical action could allow for more gains

OVERNIGHT CHANGES THROUGH 3:15 AM (CT):
GOLD +4.60, SILVER +15.00, PLATINUM +6.60

OUTSIDE MARKET DEVELOPMENTS: Global equity markets overnight were mixed with the US political conflict over the sacking of the FBI chief reverberating. First quarter German GDP was forecast to have a moderate increase from the previous 1.2% year-over-year reading and that was achieved with the number matching estimates calling for a gain of +0.6% over the prior quarter. The North American session will start out with the April consumer price index which is forecast to have a minimal downtick from March's 2.4% year-over-year reading. April retail sales are expected to see a sizable uptick from March's -0.2% reading and climb into positive territory. March business inventories are forecast to see a minimal downtick from February's 0.3% reading. A private survey of consumer sentiment is expected to hold steady with the previous 97.0 reading. Chicago Fed President Evans will speak during morning US trading hours while Philadelphia Fed President Harker will speak during the afternoon. Earning announcements will include ArcelorMittal before the Wall Street opening.



GOLD / SILVER

All things considered, the gold market has put together a decent track this week in the face of moderate strength in the dollar and periodic strength in equities. Helping the gold and silver markets to bounce this week are lingering political wrangling in Washington, a significant recovery in crude oil prices and lastly developing weakness in equities. An issue that should help silver prices going forward is news from GFMS predicting a decline in silver mine production last year for the first time since 2002. However, the silver market has been discounting annual supply and demand deficits for a number of years and without hopes of a commensurate increase in demand on top of the lower supply situation, the silver market might find it difficult to recover off classic physical commodity market fundamentals. In short, both gold and silver continue to rely on the emergence of periodic safe haven issues as the dollar this week hasn't shown significant predictive capacity for the direction of precious metals prices. However, from a technical perspective both gold and silver appear to have forged at least temporary lows with the only caveat being low volume on the recovery efforts. We still think the bull camp needs fresh conflict from the Korean Peninsula and/or more intense Washington political battles to forge anything more than a simple technical recovery bounce.

PLATINUM

The palladium market has discouraged the bull camp relative to the platinum market this week. Support underneath the June palladium contract is seen at the 50 day moving average of \$789.86 with support in the July platinum contract still seen at \$900.00. We are a little surprised that fresh violence at the Marikana mine hasn't resulted in more gains in PGM prices this week, especially since that particular facility has had extremely deadly labor issues before. The current flap appears to be the result of community leaders protesting for the creation of 1,000 jobs and not from actual wage disputes with workers. With some reports of damage from the violence and Lonmin suggesting the "mob" demands are not "realistic" it is possible that the conflict will have a shelf life. In the short-term, a lack of definitive safe haven leadership from gold might leave the PGM complex reliant on an improvement in classic economic psychology throughout the markets.

TODAY'S MARKET IDEAS:

We can't argue against a mild upward track in gold and silver again today as prices have broken out above the

recent consolidation, but it is clear the market needs a very steady diet of political anxiety, overt weakness in equities and perhaps more significant weakness in the dollar to sustain the bounce from this week's lows. In fact, it probably takes a series of closes above \$1,225 in June gold to shift short-term technical indicators to the upside next week. It goes without saying, the failure to hold \$1,216.90 today could open up the downside for a quick slide to even number \$1,200. Similarly in July, silver, a couple closes back above \$16.30 might be needed to effectively turn the short-term technical trend in favor of the bull camp. However it is possible that silver has a greater corrective bounce capacity than gold because of its decline in mine production news and also because of the definitive washout and exhaustion move seen on May 9th.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COPPER COMMENTARY

05/12/17

Declining exchange stocks should underpin prices today

GENERAL: At the start of this week, the copper market was widely concerned about slack Chinese copper demand in the face of recent data flows but by the end of this week, the trade seemed to be shaping the Chinese copper demand situation back into a slight positive. In fact a decline in both Shanghai copper stocks (-20,238 tons) and LME (-7,350 tons) stocks might allow the market to end the week with positive global demand expectations. Given the massive early declines in copper prices this month, some measure of short covering bounce was to be expected and the overnight news might add to the bullish tilt. Clearly some shorts have decided to bank profits and return to the sidelines in the wake of a developing series of declines in exchange copper stocks. However, from a technical perspective the large range up and failure Thursday suggests that the short covering has mostly run its course and or recent buyers decided to bank a quick profit. Given the partially deflated level of copper prices into this week's Shanghai copper warehouse stocks report, one might expect some light buying interest in beginning of the today's action. An issue that might continue to lend support to copper prices is the fact that US and European economic activity appears to be growing and that should shore up demand from those regions.



MARKET IDEAS:

As indicated already, the lack of sustainability in the rally yesterday and generally low volume on that spike up leaves the outlook for copper today somewhat anemic but generally positive to start today. We see a critical pivot point at \$2.4935 and more significantly at \$2.4725. There might also be a bull/bear pivot point at a recently formed uptrend channel support line of \$2.4945. In conclusion, we aren't ready to call for a noted extension of this week's rally but we do think the market can finish the week with modest gains.

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) 05/12/2017: 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 upside daily closing price reversal gives the market a bullish tilt. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside target is now at 1212.8. The next area of resistance is around 1230.2 and 1234.3, while 1st support hits today at 1219.4 and below there at 1212.8.

COMEX SILVER (JUL) 05/12/2017: The daily stochastics gave a bullish indicator with a crossover up. The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. A negative signal for trend short-term was given on a close under the 9-bar moving average. A positive setup occurred with the close over the 1st swing resistance. The near-term upside objective is at 16.523. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 16.432 and 16.523, while 1st support hits today at 16.208 and below there at 16.074.

COMEX PLATINUM (JUL) 05/12/2017: 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 above the 9-day moving average suggests the short-term trend remains positive. The market setup is supportive for early gains with the close over the 1st swing resistance. The next upside target is 926.90. Consider buying pull-backs since daily studies are bullish. The next area of resistance is around 924.00 and 926.90, while 1st support hits today at 913.80 and below there at 906.50.

COMEX COPPER (JUL) 05/12/2017: 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is now at 2.45. The next area of resistance is around 2.53 and 2.57, while 1st support hits today at 2.48 and below there at 2.45.

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	1224.8	30.91	35.45	11.07	9.60	1221.73	1233.71	1255.38	1250.24	1247.98
SIAN7	16.320	22.30	25.13	4.73	5.85	16.20	16.40	17.10	17.58	17.71
PLAN7	918.90	42.02	40.80	17.27	19.78	912.23	914.38	938.94	952.00	965.58
CPAN7	2.50	38.16	39.62	21.13	15.54	2.50	2.54	2.56	2.61	2.64

Calculations based on previous session. Data collected 05/11/2017

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	1212.7	1219.4	1223.5	1230.2	1234.3
SIAN7	COMEX Silver	16.073	16.207	16.298	16.432	16.523
PLAN7	COMEX Platinum	906.50	913.80	916.70	924.00	926.90
CPAN7	COMEX Copper	2.45	2.47	2.51	2.53	2.57

Calculations based on previous session. Data collected 05/11/2017

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