



DAILY METALS COMMENTARY

Monday May 15, 2017

PRECIOUS METALS COMMENTARY

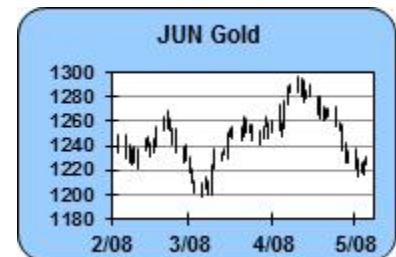
05/15/17

Global uncertainty from North Korea, hacking & a weaker \$

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD +3.80, SILVER +20.30, PLATINUM +13.60

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were mixed overnight with Chinese, Spanish and Russian stocks higher and Australian and German measures lower. Over the weekend, a major global cyber-attack and a North Korean missile test have given a mild boost to risk concerns at the start of this week. The Asian session started out with the April Japanese PPI which posted a moderate uptick of +0.2% from March's +1.4% year-over-year rate. Unfortunately for commodity bulls April Chinese industrial production "growth" slowed to +6.5% over year ago levels which is below the prior month's rise of +7.6% on a year over year basis. April Chinese retail sales "growth" also slowed with a year over year reading of +10.7% compared to the prior month's year over year growth pace +10.9%. The European session today presented April Italian CPI which held steady with March's +1.8% year-over-year rate. The North American session will start out with a May reading for the New York Fed's Empire State manufacturing survey that is forecast to have a mild uptick from April's 5.20 reading. The May NAHB housing market index is expected to hold steady with April's 68 reading. Earnings announcement will include Trivago before the Wall Street opening while Vipshot Holdings report after the close.



GOLD / SILVER

Both gold and silver markets made fresh four day highs on Friday and posted fairly impressive gains off last week's lows and have added to those gains this morning to start the new trading week and that partially confirms a weak uptrend in our view. With a fresh North Korean missile test and the cyber-attacks over the weekend it isn't surprising to see some safe haven demand for gold and silver pick-up. After weathering strength in the dollar early last week, the dollar's sharp range down washout is probably providing some fresh long-side impetus. It is also possible that a slight tempering of June rate hike fears from slack US data at the end of last week has also added to gold and silver's strength into the new trading week. With Washington in a political duel instead of focusing on pro-growth policies, the fact is that economic uncertainty at the end of last week was higher than it was at the beginning of last week. With an aggressive global hacking effort over the last weekend and fairly active scheduled US reports ahead, the markets might see both geopolitical and economic uncertainty leave the bull camp with an edge. On the other hand, with the Commitments of Traders Futures and Options report as of May 9th for Gold showing Non-Commercial and Non-reportable combined traders held a net long position of 157,351 contracts and that reading posting a decline of 42,981 contracts in the net long position held by these traders in the reporting week, the market's overbought condition is reduced. Similarly the Commitments of Traders Futures and Options report as of May 9th for Silver showed Non-Commercial and Non-reportable combined traders held a net long position of 71,091 contracts and since that reading also represents a decrease of 16,945 contracts in the net long position held by these traders for the latest week even silver has tempered its overbought condition.

PLATINUM

With a consultancy group indicating that palladium could eventually reach a premium over platinum and reports this morning predicting lower platinum mine output in 2017 the PGM complex starts the new trading week in a positive track. Other issues lending spillover support to the PGM complex this morning is weakness in the Dollar, strength in gold and news of lower production from Lonmin Plc in its quarterly earnings report. We agree with GFMS projections predicting that palladium prices will continue to make headway on platinum prices in the months ahead as increased auto catalyst demand worldwide should help increase arbitrage influences until there is relative parity between the two markets. We also think more aggressive efforts to reign in serious air pollution

problems in India and China will keep demand expanding even if that expansion is measured. One might also argue that platinum supply from Russia deserves some measure of premium because of Russian involvement in Syria and Ukraine leaves open the prospect of further trade sanctions. Others will suggest that uncertainty from PGM production flowing from Russia leaves uncertainty toward all PGM supply in place. We would suggest palladium at times has become overbought and it enters this week with a six month old uptrend channel support line seen down at \$804.98 an even more critical support seen down at \$799.40. Platinum on the other hand has wallowed just above the \$900.00 but a move through thick overhead resistance at \$926.80 this morning should shift short term technical measures in favor of the bull camp. The Commitments of Traders Futures and Options report as of May 9th for Platinum showed Non-Commercial and Non-reportable combined traders held a net long position of 14,200 contracts. This represents a decrease of 7,981 contracts in the net long position held by these traders. The Commitments of Traders Futures and Options report as of May 9th for Palladium showed Non-Commercial and Non-reportable combined traders held a net long position of 20,864 contracts. This represents a decrease of 993 contracts in the net long position held by these traders.

TODAY'S MARKET IDEAS:

While we give the bull camp a slight edge in gold and silver to start the new trading week, we expect that gains will be hard-fought and difficult to sustain. However given the recent global hacking threat, ongoing political angst in Washington and simmering tensions from North Korea, risk to the shorts should not be understated. In fact if the dollar falls back toward the late April lows down around the 98.60 level, we wouldn't be surprised to see June gold leave the \$1,225.50 area behind and approach the next thick layer of resistance up at \$1,236.90. July, silver also looks to extend the pattern of higher highs and higher lows with support now seen just under the market at \$16.49 and there is little in the way of resistance seen until \$16.80.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

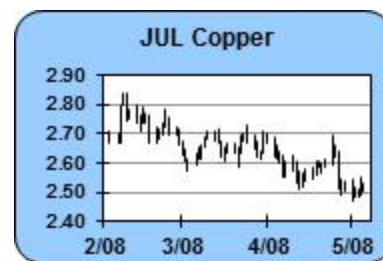
None.

COPPER COMMENTARY

05/15/17

The bulls have the edge off residual Chinese growth

GENERAL: With a higher low on Friday and positive action to start today, the copper market enters the new trading week on a positive note. We think the market at the end of last week was probably lifted as a result of the twin declines in LME and Shanghai copper stock levels last Friday, and also because of the renewed week long pattern of declining LME copper stocks. In fact yet another decline in LME copper stocks this morning has partially offset Chinese industrial production April "GROWTH RATE" levels that failed to live up to the March "GROWTH RATE" levels. In other words Chinese Industrial production for April grew by 6.5% but that result was below the +7.6% growth rate seen in March. However, Chinese economic growth views were probably tilted into risk-on mode by Chinese retail sales that continued to grow at a double digit level of +10.7% even if that reading was below analyst projections. We also suspect that copper prices will draft some lingering support in the wake of news that the Chinese central bank last week injected medium-term cash into their economy as that might help shore up the Chinese recovery and help to put Chinese copper demand views back on an upward track. The Commitments of Traders Futures and Options report as of May 9th for Copper showed Non-Commercial and Non-reportable combined traders held a net long position of 8,674 contracts. This represents a decrease of 10,846 contracts in the net long position held by these traders.



MARKET IDEAS:

July copper appears to have forged a key bottom with last week's lows, and the ability to get up and away from the \$2.50 level emboldens the bull camp to start today. Limiting the upward track in prices to start this week is lingering fears of further declines in global equity markets. Critical support in July copper to start the trading week sits at \$2.49 and more significantly down at \$2.4805. In order to really throw the bear camp back on their heels

early this week probably requires a rally back above \$2.554.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None

Commitment of Traders - Futures and Options - 5/2/2017 - 5/9/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Metals						
Copper	8,257	-10,269	-8,674	+10,847	417	-577
Gold	141,386	-43,620	-157,351	+42,981	15,965	+639
Palladium	20,540	-825	-20,864	+993	324	-168
Platinum	9,212	-7,673	-14,200	+7,982	4,988	-308
Silver	54,061	-17,751	-71,092	+16,944	17,030	+806

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) 05/15/2017: The daily stochastics have crossed over up which is a bullish indication. 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. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 1235.2. The next area of resistance is around 1231.6 and 1235.2, while 1st support hits today at 1224.4 and below there at 1220.8.

COMEX SILVER (JUL) 05/15/2017: Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. A positive signal for trend short-term was given on a close over the 9-bar moving average. A positive setup occurred with the close over the 1st swing resistance. The near-term upside objective is at 16.588. Daily studies suggest buying dips today. The next area of resistance is around 16.527 and 16.588, while 1st support hits today at 16.353 and below there at 16.239.

COMEX PLATINUM (JUL) 05/15/2017: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The market's short-term trend is positive on the close above the 9-day moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside objective is 932.42. The next area of resistance is around 926.35 and 932.42, while 1st support hits today at 914.65 and below there at 909.03.

COMEX COPPER (JUL) 05/15/2017: 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 mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is now at 2.50. The next area of resistance is around 2.53 and 2.54, 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	1228.0	35.14	37.94	11.66	13.03	1221.80	1230.59	1251.68	1250.70	1247.83

SIAN7	16.440	33.03	31.77	6.53	10.13	16.24	16.35	17.00	17.56	17.68
PLAN7	920.50	43.83	41.97	19.57	24.38	912.33	913.02	935.68	951.55	964.03
CPAN7	2.52	43.55	42.87	20.23	18.44	2.51	2.53	2.56	2.61	2.63

Calculations based on previous session. Data collected 05/12/2017

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	1220.8	1224.3	1228.0	1231.6	1235.2
SIAN7	COMEX Silver	16.238	16.352	16.413	16.527	16.588
PLAN7	COMEX Platinum	909.02	914.65	920.72	926.35	932.42
CPAN7	COMEX Copper	2.49	2.51	2.52	2.53	2.54

Calculations based on previous session. Data collected 05/12/2017

Data sources can & do produce bad ticks. Verify before use.

***This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.