



DAILY METALS COMMENTARY Wednesday May 17, 2017

PRECIOUS METALS COMMENTARY 05/17/17

The bull camp holds all the cards today

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
GOLD +9.50, SILVER +15.80, PLATINUM +5.20**

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were under noted pressure overnight off fears that the US political condition was poised for at least a partial meltdown. The European session started out with a UK unemployment rate reading that declined to a 42 year low but that news was offset by a decline in wage growth which economists noted was below the rate of inflation. April Euro zone CPI held steady at a +1.9% on a year-over-year basis with the month over month readings coming in softer than expected. The North American session will be fairly quiet for economic data and Fed speakers, and will feature a weekly private survey on mortgage applications. Earnings announcement will include Target before the Wall Street opening while Cisco Systems, L Brands and Synopsis report after the close.



GOLD / SILVER

It would not be a stretch to suggest that at least a mini crisis in US confidence is unfolding in the wake of failing confidence in the US Administration overnight. In fact it would appear that the Jackals of Washington politics are poised to dismember the "political outsider" Trump and that has already turned sentiment toward the Dollar and now US equities sour and that in turn should serve to extend the rally in gold and silver. The least of the concerns for the President and the US economy is that meaningful tax reform and perhaps infrastructure spending are either becoming more distant or simply unlikely as the political machine smells blood off the alleged request that the FBI should back off on the Russian influence investigation. At least in the early trade gold and stocks look to have an inverse relationship today and perhaps through the end of the week as the FBI Russian investigation issue consumes the markets attention. At least in the near term the path of least resistance is pointing upward and more weakness in the Dollar is expected today especially since the US economic slate today doesn't contain anything capable of refocusing attention away from the Trump crisis.

PLATINUM

With platinum clawing out another higher high for the move and gaining on palladium in the face of a positive trade in other precious metals markets, it appears that the market might have seen a shift in spread sentiment between the two markets. Obviously palladium was a touch overbought and perhaps a large portion of its bull case has been temporarily factored in. It is also possible that traders now see platinum as "the play" in the PGM complex and in the precious metals space. After all, there are threats to South African production due to community protests and property destruction and there is a developing pattern of rising platinum ETF holdings. From the low of 1.92 million ounces on September 25th of last year, platinum holdings have quietly reached up to 2.205 million ounces which is somewhat telling but not overly significant. It also seems as if platinum this morning is benefiting from the rise in safe haven buying while palladium is apparently being used as a hedge against long plays in platinum.

TODAY'S MARKET IDEAS:

It is difficult to argue with success as gold and silver have managed to shift fundamental drivers when needed and in turn carve out a gradual upward track on the charts. The latest shift appears to be from noted windfalls from a diving US Dollar and toward political issues in the US. In fact, we doubt the slide in the US Dollar will end this week and that could add to the safe haven interest flowing toward gold and silver from Washington. Clearly the Trump Administration is sinking into even deeper water following accusations that the President asked the FBI to

back off on investigating Mike Flynn and that has definitively ratcheted up uncertainty that should send gold quickly to the \$1,250 level and silver directly up to the \$17.50 level. Some political talking heads are even suggesting that the current situation is likely to rise to a level correlated with Watergate which in turn hints at impeachment murmurs.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COPPER COMMENTARY

05/17/17

The path of least resistance has shifted downward

GENERAL: While July copper yesterday forged an inside day trade and the market has generally maintained a pattern of higher lows we think a possible key reversal is directly ahead. In fact while copper prices might have benefited from news yesterday that Mexican miners may owe substantial taxes to the Mexican government in the form of mining royalties, pressure on prices today and going forward is likely to be seen off disappointing numbers from US housing starts and permits figures yesterday, reports that a large mining concern is planning to expand production significantly in Chile, news of a 17,000 ton jump in daily LME copper stocks and lastly the potential for at least a moderate macro-economic let down in US equities from the prospect of a wide Trump investigation that it tried to derail the Russian election investigation. Adding into the potentially negative environment this morning is promises yesterday from Zambia that they intend to return to the most prolific copper producer in Africa and that also adds to the developing bear case for copper this week.



MARKET IDEAS:

While copper has generally held together in the early going today macroeconomic conditions continue to sour and a significant washout in equities today could spark a broad-based liquidation wave in copper. In fact the failure to hold above \$2.5220 could unleash a retest of the May low of \$2.4725 especially with a five digit inflow into LME copper warehouses overnight. Aggressive traders should consider the purchase of bear put spreads looking for a slide to and perhaps below the May lows.

NEW RECOMMENDATIONS:

None

PREVIOUS RECOMMENDATIONS:

Buy a July copper \$2.50/\$2.44 bear put spread for 200 looking for an objective of 320. Risk the combination to 120.

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) 05/17/2017: 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. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside objective is at 1244.7. Short-term indicators suggest buying dips today. The next area of resistance is around 1241.3 and 1244.7, while 1st support hits today at 1232.3 and below there at 1226.6.

COMEX SILVER (JUL) 05/17/2017: Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside target is at 17.036. Short-term indicators suggest buying dips today. The next area of resistance is around 16.952 and 17.036, while 1st support hits today at 16.698 and below there at 16.527.

COMEX PLATINUM (JUL) 05/17/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next upside objective is 952.77. The next area of resistance is around 948.35 and 952.77, while 1st support hits today at 934.65 and below there at 925.38.

COMEX COPPER (JUL) 05/17/2017: Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside target is at 2.57. The next area of resistance is around 2.56 and 2.57, while 1st support hits today at 2.54 and below there at 2.52.

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 | 1236.8 | 46.15 | 44.55 | 16.88 | 23.78 | 1229.68 | 1226.26 | 1246.08 | 1251.93 | 1247.49 |
| SIAN7 | 16.825 | 51.11 | 44.11 | 15.13 | 26.13 | 16.52 | 16.36 | 16.83 | 17.55 | 17.63 |
| PLAN7 | 941.50 | 57.80 | 51.54 | 30.39 | 44.63 | 926.35 | 917.08 | 930.98 | 951.12 | 961.33 |
| CPAN7 | 2.54 | 50.60 | 47.20 | 22.69 | 26.49 | 2.53 | 2.52 | 2.56 | 2.61 | 2.63 |

Calculations based on previous session. Data collected 05/16/2017

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 | 1226.5 | 1232.2 | 1235.6 | 1241.3 | 1244.7 |
| SIAN7 | COMEX Silver | 16.526 | 16.697 | 16.781 | 16.952 | 17.036 |
| PLAN7 | COMEX Platinum | 925.37 | 934.65 | 939.07 | 948.35 | 952.77 |
| CPAN7 | COMEX Copper | 2.51 | 2.53 | 2.54 | 2.56 | 2.57 |

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