



DAILY METALS COMMENTARY Monday May 22, 2017

PRECIOUS METALS COMMENTARY

05/22/17

Two-sided trade ahead politics settle back into a simmer

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD +1.90, SILVER +15.40, PLATINUM +1.00

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were mixed overnight with gainers and losers distributed evenly around the globe. The Asian session featured an April reading on the Japanese trade figures which notched a 5th straight month of export increases. The European session will be fairly quiet data-wise, while the North American session will be highlighted by a May reading on the Chicago Fed's national activity index which is forecast to see a moderate increase from April's 0.08% reading. Minneapolis Fed President Kashkari and Philadelphia Fed President Harker will speak during morning US trading hours while Fed Governor Brainard and Chicago Fed President Evans will speak during evening hours. Earnings announcements include Agilent Technologies after the Wall Street close.



GOLD / SILVER

While the gold market forged fairly impressive gains at times last week, the market clearly lost momentum at the end of last week and spent a large portion of the Friday trade in negative territory. However, with the US dollar coming under significant additional pressure at the end of last week it is difficult to call for an end to the slide in the dollar and in turn to call for an end to the May recovery bounce in gold. With the President visiting the Middle East the propensity for geopolitical support for gold prices is probably set to remain high. In fact, the announcement of a US/Saudi arms deal could have reverberations from Israel and or from Arabs who have a problem with any US meddling in the Middle East. Therefore, both currency and geopolitical issues favor the bull camp in gold to start this week especially with last week's sideways consolidation (at the end of last week) putting technical measures in a more balanced position. However, some traders might begin to shift their attention toward silver as it managed a fairly impressive overnight spike higher and silver has seen a lengthening pattern of inflows into ETF holdings with holdings reaching up to a significant 646.1 million ounces at the end of last week. The Commitments of Traders Futures and Options report as of May 16th for Gold showed Non-Commercial and Non-reportable combined traders held a net long position of 138,166 contracts. The Commitments of Traders Futures and Options report as of May 16th for Silver showed Non-Commercial and Non-reportable combined traders held a net long position of 58,631 contracts.

PLATINUM

While platinum ETF holdings at the end of last week leveled off, they have mounted consistent gains since February and they have also accelerated on the upside since May 10th. We continue to think that platinum prices right on top of \$900 are too cheap, but shifting sentiment from platinum/palladium spread action can sometimes thwart internal fundamental and technical issues in platinum. It should be noted that some players in the market are expecting a shift in the recent pattern where platinum has been gaining on palladium, but we suspect platinum has a little more gain potential over palladium before a major shift is seen in the relationship later this week. We do think that palladium is damaged on its charts and destined for a near term slide below \$750 unless a global "risk on" mentality comes back with a vengeance. The Commitments of Traders Futures and Options report as of May 16th for Platinum showed Non-Commercial and Non-reportable combined traders held a net long position of 16,827 contracts. The Commitments of Traders Futures and Options report as of May 16th for Palladium showed Non-Commercial and Non-reportable combined traders held a net long position of 20,220 contracts.

TODAY'S MARKET IDEAS:

With the Washington political feeding frenzy expected to remain in place but tempered slightly because of a foreign trip by the president, ranges might be somewhat narrower to start this week. Therefore, the gold market looks to have critical support at the \$1245.70 level or at the 50 day moving average of \$1250.50 level while initial resistance to start the trading week might be seen at \$1261.50. Clearly the action in silver late last week showed a lack of distinct safe haven focus and the overnight spike up attempt seems to suggest that classic physical commodity market fundamentals are a times driving silver prices. Today's early strength in silver comes in close proximity renewed interest in zinc and copper at the end of last week and that points to silver's physical commodity standing. In order for rising ETF holdings of silver to become important probably requires a return to "risk on" mentality throughout physical commodity markets and the equity markets.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COPPER COMMENTARY

05/22/17

Prices are a little expensive to start the new trading week

GENERAL: In our opinion, July copper did not deserve to trade consistently under the \$2.50 level earlier in the month and the recovery action since the May low was clearly borne out by strength in the last US payroll report. On the other hand copper prices near the \$2.60 level might be expensive in the wake of World Bureau of Minerals Statistics forecast that the world copper market in the 1st quarter of 2017 posted a surplus of 148,000 tons. Unfortunately for the bull camp, weekly Shanghai copper stocks increased at the end of last week but that was partially offset by a larger daily LME copper warehouse stock decline on Friday morning and the general pattern of declines in LME copper warehouse stocks over the last week. However, US equities did carve out new all-time highs early last week and other base metals like zinc gained alongside copper late in the week and that suggests favorable big picture global macroeconomic issues are capable of benefiting the base metals complex. In fact, even the prospect of improving Chinese demand is starting to show up in the marketplace again and that alone might have justified the range up action at the end of last week. The Commitments of Traders Futures and Options report as of May 16th for Copper showed Non-Commercial and Non-reportable combined traders held balanced a net long position of 7,524 contracts.



MARKET IDEAS:

While we saw the justification for the sharp rally away from \$2.50 without fresh news on resurgent demand from China, more new all-time highs in US equities and further weakness in the dollar it could be difficult for July copper to sustain near the \$2.60 level. However the market is drawing close to the 50 day moving average at \$2.6035 and the net spec and fund long as of last Tuesday was minimal at 7,524 contracts. Move critical support up to \$2.5570 to start the trading week and register a critical upside resistance point at \$2.6160.

NEW RECOMMENDATIONS:

None

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 5/9/2017 - 5/16/2017							
	Non-Commercial		Net Position	Commercial		Non-Reportable	
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	Weekly Net Change	
Metals							
Copper	8,775	+518	-7,524	+1,150	-1,251	-1,668	
Gold	120,256	-21,130	-138,166	+19,185	17,910	+1,945	

Palladium	19,897	-643	-20,219	+645	323	-1
Platinum	11,719	+2,507	-16,827	-2,627	5,108	+120
Silver	43,075	-10,986	-58,630	+12,462	15,556	-1,474

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) 05/22/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market's short-term trend is positive on the close above the 9-day moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside target is at 1263.3. The next area of resistance is around 1260.0 and 1263.3, while 1st support hits today at 1249.8 and below there at 1242.8.

COMEX SILVER (JUL) 05/22/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 17.081. The next area of resistance is around 16.987 and 17.081, while 1st support hits today at 16.683 and below there at 16.472.

COMEX PLATINUM (JUL) 05/22/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal up on the daily chart is somewhat positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside objective is 955.60. The next area of resistance is around 948.90 and 955.60, while 1st support hits today at 932.70 and below there at 923.20.

COMEX COPPER (JUL) 05/22/2017: 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. The market's close above the 2nd swing resistance number is a bullish indication. The near-term upside objective is at 2.63. The next area of resistance is around 2.61 and 2.63, while 1st support hits today at 2.56 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	1254.9	59.49	54.60	41.10	57.99	1250.70	1235.52	1242.32	1254.74	1248.03
SIAN7	16.835	50.31	44.85	34.11	47.86	16.78	16.52	16.65	17.52	17.56
PLAN7	940.80	55.91	51.14	53.01	67.69	940.18	926.16	926.75	950.57	957.80
CPAN7	2.58	58.89	52.92	29.49	36.82	2.55	2.53	2.55	2.60	2.62

Calculations based on previous session. Data collected 05/19/2017

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	1242.7	1249.7	1253.0	1260.0	1263.3
SIAN7	COMEX Silver	16.471	16.682	16.776	16.987	17.081
PLAN7	COMEX Platinum	923.20	932.70	939.40	948.90	955.60
CPAN7	COMEX Copper	2.51	2.55	2.57	2.61	2.63

Calculations based on previous session. Data collected 05/19/2017

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