



## DAILY METALS COMMENTARY Thursday May 25, 2017

### PRECIOUS METALS COMMENTARY

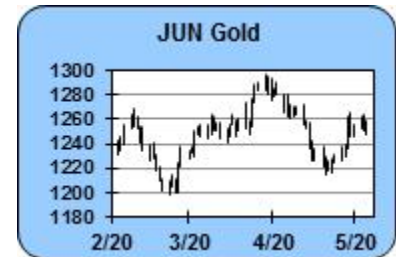
05/25/17

**The bear camp has a minimal edge today**

#### OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

**GOLD +3.60, SILVER +4.30, PLATINUM +1.50**

**OUTSIDE MARKET DEVELOPMENTS:** Global equity markets were once again mixed with Chinese and Asian stocks mostly higher and European market measures mostly trading weaker. The Asian session was fairly quiet data-wise while several markets in Europe were closed for the Ascension Day holiday. A preliminary look at first quarter UK GDP was expected to hold steady with the previous 2.1% year-over-year rate but instead the reading dipped. It should also be noted that UK mortgage approvals dropped, that Italian Industrial orders fell sharply and that UK business investment came in positive. The Oil producers meeting finished with only a 9 month extension which is what was expected but less than what was tossed around earlier in the week. The North American session will start out with a weekly reading on initial jobless claims that are forecast to have a modest uptick from the previous 232,000 reading. However, they may be attention paid to ongoing jobless claims as the previous 1.898 million reading was a multi-decade low. April wholesale inventories are expected to hold steady with March's 0.2% reading. The April goods trade balance is forecast to see a modest downtick from March's \$64.8 billion monthly deficit. The May KC Fed manufacturing index is expected to hold steady with April's 12 reading. Fed Governor Brainard will speak during morning US trading hours while St. Louis Fed President Bullard will speak during the afternoon. Earnings announcements will include Medtronic, Dollar Tree, Hormel Foods and Best Buy before the Wall Street opening while Costco Wholesale and Ulta Beauty report after the close.



### GOLD / SILVER

While the gold market forged a fresh three day low in the trade yesterday, the market rejected that dip and managed to recover back above \$1,250 in a way that suggests there was some value down at \$1,247.60. We do think that the gold market should see some support in the wake of news that Turkey, Russia, Argentina and Kazakhstan all saw their gold reserve holdings rise in April according to IMF data. In fact, the net build in those reserves for the countries mentioned was roughly 25.4 tonnes and that should help to underpin gold prices above the lows of the past five trading sessions. In fact indications from the Russian central bank that they will build gold and foreign currency reserves to 500 billion if inflation and currency markets are stable should add to the support from the gold reserve data news flow. Offsetting the positive central bank gold reserve news is the fact that Chinese net gold imports from Hong Kong declined by 33.5% from the prior month especially since total Chinese gold imports in April declined to 81.4 tons last month from 116.6 tons in March. It did not appear as if the release of the May 2nd and 3rd FOMC policy meeting notes will have any lasting impact on metals prices, but the Fed did point to the possibility of balance sheet reductions this year which could be seen as negative to many physical commodities. In another limiting development, the Fed also indicated that many Fed members viewed the prospect of fiscal stimulus as an upside risk but until the prospect of fiscal stimulus is closer to reality that should not impact metals prices and or Fed policy. Silver derivative holdings declined by 1.1 million ounces yesterday while gold derivative holdings increased by 2749 ounces.

### PLATINUM

Part of the weakness in the PGM complex yesterday was the result of a modest bounce in the dollar, spillover pressure from gold and silver and from lingering negative commodity demand views flowing from China. In fact with both platinum and palladium charts freshly damaged, the probability of a return to last week's low in both markets appears likely. On a four week basis, the platinum market would appear to have more downside capacity

than palladium in order to reach what appears to be moderately significant close-in support. In fact, without a return to definitive risk on and more positive spillover price action from gold, July platinum might be destined to fall back toward the \$925 level. Similarly, the June palladium market would seem to have critical support today at an old double low of \$755.65 and then again down at \$748.50.

#### **TODAY'S MARKET IDEAS:**

While redeveloping weakness in the dollar could cushion gold and silver prices from a near term corrective slide, pushed into the market we favor the short side for a minimal balancing setback. While we wouldn't characterize the FOMC meeting minutes as hawkish, it does appear as if the Fed wants to raise rates and remove excess from its balance sheet this year and that is a longer-term negative for both gold and silver. In the short term, a corrective dip in June gold down to \$1,245.70 might be seen if the June gold contract today fails to hold above the \$1,253.30 level (which is the 50 day moving average). Similar corrective action in July silver projects a setback to \$16.84 and the even number \$17 level might be a level that ultimately sets the tone for the remainder of the trading week.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

## **COPPER COMMENTARY**

**05/25/17**

### **The market remains short term vulnerable to selling**

**GENERAL:** July copper forged a fairly large trading range yesterday, with the majority of the action tracking in negative territory and the market holding below the potentially critical 50 day moving average. Copper was clearly undermined as a result of the credit rating agency downgrade of China earlier this week which specifically hinted at concern for the pace of the Chinese economic recovery. The market was once again presented with Chinese import data that showed an increase in scrap copper and copper concentrate imports in March but that positive news was offset by news earlier in the week that Chinese refined copper imports declined. So far, the copper market has not given much attention to the fact that LME copper stocks continue to erode at a fairly significant rate, perhaps because the trade has grown accustomed to focusing on stock levels and demand expectations from China. Technical traders might suggest the inability to rise and hold above the \$2.60 level today suggests the market has lost momentum and/or that level is set to become some form of expensive price zone.



#### **MARKET IDEAS:**

While the July copper contract rejected the brunt of the declines in the prior trading sessions, the lack of upside momentum and the inability to pierce the \$2.60 level seems to point to a near term top. The 50 day moving average today comes in at \$2.6010 and there isn't downtrend channel resistance seen until the \$2.6450 level. While we can't rule out a bounce of 150 points, we think rallies are selling opportunities in the short term.

#### **NEW RECOMMENDATIONS:**

None

#### **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) 05/25/2017: The major trend could be turning up with the close back above the 40-day moving average. Momentum studies are trending higher but have entered overbought levels. A positive signal for trend short-term was given on a close over the 9-bar moving average. The upside closing price reversal on the daily chart is somewhat bullish. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 1266.8. The next area of resistance is around 1263.7 and 1266.8, while 1st support hits today at 1252.5 and below there at 1244.5.

COMEX SILVER (JUL) 05/25/2017: Momentum studies are trending higher but have entered overbought levels. The market's close above the 9-day moving average suggests the short-term trend remains positive. The daily closing price reversal up is a positive indicator that could support higher prices. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 17.476. The next area of resistance is around 17.387 and 17.476, while 1st support hits today at 17.053 and below there at 16.807.

COMEX PLATINUM (JUL) 05/25/2017: Rising stochastics at overbought levels warrant some caution for bulls. The market's close above the 9-day moving average suggests the short-term trend remains positive. The daily closing price reversal up is a positive indicator that could support higher prices. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside objective is 959.52. The next area of resistance is around 956.55 and 959.52, while 1st support hits today at 945.45 and below there at 937.33.

COMEX COPPER (JUL) 05/25/2017: The upside crossover of the 9 and 18 bar moving average is a positive signal. 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside objective is 2.62. The next area of resistance is around 2.61 and 2.62, while 1st support hits today at 2.57 and below there at 2.54.

## 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
<b>METALS COMPLEX</b>										
GCAM7	1258.1	59.60	55.48	63.90	76.86	1257.15	1248.24	1240.94	1255.93	1247.91
SIAN7	17.220	59.30	52.37	60.37	75.51	17.06	16.84	16.62	17.50	17.49
PLAN7	951.00	61.75	55.37	71.95	81.61	947.73	939.67	926.98	949.08	953.48
CPAN7	2.59	57.27	52.67	50.77	65.81	2.59	2.56	2.55	2.59	2.61

Calculations based on previous session. Data collected 05/24/2017

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

## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>METALS COMPLEX</b>						
GCAM7	COMEX Gold	1244.4	1252.5	1255.6	1263.7	1266.8
SIAN7	COMEX Silver	16.806	17.052	17.141	17.387	17.476
PLAN7	COMEX Platinum	937.32	945.45	948.42	956.55	959.52
CPAN7	COMEX Copper	2.53	2.56	2.58	2.61	2.62

Calculations based on previous session. Data collected 05/24/2017

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