



DAILY METALS COMMENTARY

Thursday June 01, 2017

PRECIOUS METALS COMMENTARY

06/01/17

Corrective action off rising rate fears and a Dollar bounce

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD -7.30, SILVER -28.60, PLATINUM -8.30

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were positive overnight with some isolated weakness in the Shanghai Composite and the RTS Index. The Asian session started out with a May Japanese manufacturing PMI number that made a minimal gain. The highlight of the Asian trading session came from the May Caixin Chinese manufacturing PMI number that was expected to see a modest decline from April's 50.2 reading and the reading fulfilled expectations with a print of 49.6. The European session started out with a disappointing first quarter reading on Swiss GDP which was seen as anemic with a gain of +0.3%. The markets were also presented with a series of Markit manufacturing PMI readings from around Europe. Euro zone manufacturing was surprisingly strong, UK activity was positive, French readings were a little discouraging while German readings bested the prior month and bested estimates for the report. The North American session will start out with the May Challenger survey of job cuts, followed by the May ADP Employment survey which is expected to have a modest uptick from April's 177,000 reading. A weekly reading on initial jobless claims is forecast to show a minimal increase from the previous 234,000 reading. Following the Markit manufacturing PMI readings for the US and Canada, the May ISM manufacturing survey is expected to have a modest downtick from April's 54.8 reading. April construction spending is forecast to see a sizable uptick from March's -0.2% reading and climb into positive territory. Fed Governor Powell will speak during morning US trading hours. Earnings announcement will include Dollar General before the Wall Street opening while Broadcom Limited and VMware report after the close.



GOLD / SILVER

The bull camp will suggest that gold was lifted yesterday because of increased economic uncertainty from the US, unfolding weakness in the US dollar and also because of favorable internal gold market fundamental supply-side information. News that Chinese gold production in the first quarter declined by 9.3% relative to year ago levels provided some measure of residual support from the supply front yesterday as does news that a Chinese investment group bought 10% of the top Russian gold miner. With a Chinese concern stepping in to buy gold assets that probably helps to improve investment demand interest toward gold but it also creates some bullish buzz of gold demand from China. However, gold and silver is probably under pressure this morning from the Fed Beige Book yesterday which pointed out some labor tightness in the US as that tilts the equation in favor of a June rate hike and that news also lowers economic uncertainty. Economic uncertainty was also lowered in the wake of generally upbeat European/UK private PMI results this morning. In the event of an uptick in the US ISM manufacturing PMI reading later today or a surprise decline in US claims that could further reduce safe haven interest in gold and silver. In short gold and silver markets might be expected to remain under pressure through the Friday morning US payrolls because of the chorus of US rising rate fears. While Gold ETF holdings have declined recently that news is offset by reports that the US Mint reported a sharp rise in American Eagle gold and silver coins and that highlights some demand at the small investor level.

PLATINUM

While the PGM complex might have drafted some support from the gold market yesterday, it is also likely that prices were lifted as a result of ongoing concerns toward South African platinum mining company "Lonmin" as that company is being forced by "market pressures" to prove to the marketplace that it can remain economically viable. In the event the South African platinum mining sector sees further contraction or a failure, that could

instantly shift the supply and demand equation further in favor of the bull camp in both platinum and palladium. With a widely followed Industry Group (Johnson Matthey) correctly pointing out the prospect of rising demand for PGM's from expanded global auto-catalyst demand (to battle pollution) there are a couple of demand/supply issues serving to justify the May recovery action. Clearly the palladium market remains the darling of traders and investors but once the September palladium futures contract rises above \$825 an ounce, we would suggest the risk to fresh longs is probably exceeding the rewards. As in crude oil and copper, the PGM complex needs positive economic sentiment worldwide to get beyond a safe haven/spread orientated daily trade focus and onto a positive global demand themes. In the short term, we expect platinum to lag behind palladium, but traders should consider reversing long palladium/short platinum spec plays when September palladium has taken out the \$825 level.

TODAY'S MARKET IDEAS:

The gold and silver markets are under moderate pressure to start today off a theme of rising rates in the US, less economic uncertainty in Europe and perhaps from a normal corrective balancing from the May run-up in prices. One might also point to somewhat soft Chinese PMI results overnight as cause for some back and fill action on the charts. Initial support in the August gold contract this morning is seen at \$1265.70 with more significant support seen down at \$1256.20. Uptrend channel support off the May lows is also seen at \$1265.15. The washout in the silver market is more extreme on the charts and the market has suffered more technical damage than gold and it may be headed for a key support point of \$17.06.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

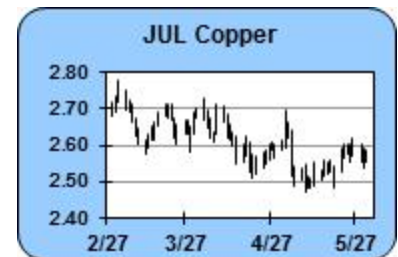
None.

COPPER COMMENTARY

06/01/17

The path of least resistance remains down

GENERAL: After waffling around both sides of unchanged, July copper spent a lot of time in positive territory yesterday and that action was partially justified by less concerning Chinese economic activity but any windfall from that angle was dashed by the private Chinese PMI results that were released overnight. However, economic data from Europe this morning should be somewhat supportive of copper. Furthermore, it is impressive that the bull camp has been able to generally hold up prices in the wake of the 3.3% decline in US pending home sales, the decline in Chicago PMI and even more importantly in the wake of the Chinese PMI readings released last night. Unfortunately, it would appear as if copper will face a somewhat precarious position today as the first trading session of the month is likely a critical junction for global equities and there is a negative vibe flowing toward all metals markets to start! Another negative for copper this morning is the normalization of operations at the Escondido mine following a labor dispute. In fact in the event of a risk-off vibe today, we can't rule out fresh lower lows for the week.



MARKET IDEAS:

Until there is a more distinct optimism permeating global equity markets, the Chinese economy shows more signs of life or until there is a fresh physical supply threat, it is difficult to take control away from the bear camp. A four-day pattern of lower highs and the fact that the July contract remains near the upper end of the last month's range suggests that bears have a better risk and reward setup than the bulls.

NEW RECOMMENDATIONS:

Buy July Copper down at \$2.5105 with an objective \$2.6095. Risking the trade to \$2.5880.

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 (AUG) 06/01/2017: Rising stochastics at overbought levels warrant some caution for bulls. The close above the 9-day moving average is a positive short-term indicator for trend. The close over the pivot swing is a somewhat positive setup. The next upside objective is 1285.1. The next area of resistance is around 1278.7 and 1285.1, while 1st support hits today at 1263.9 and below there at 1255.6.

COMEX SILVER (JUL) 06/01/2017: The close under the 40-day moving average indicates the longer-term trend could be turning down. 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. It is a slightly negative indicator that the close was under the swing pivot. The next upside target is 17.506. The next area of resistance is around 17.397 and 17.506, while 1st support hits today at 17.203 and below there at 17.117.

COMEX PLATINUM (JUL) 06/01/2017: The cross over and close above the 60-day moving average indicates the longer-term trend has turned up. Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The market's close above the 9-day moving average suggests the short-term trend remains positive. 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 next downside objective is 933.50. The next area of resistance is around 957.60 and 962.70, while 1st support hits today at 943.00 and below there at 933.50.

COMEX COPPER (JUL) 06/01/2017: The market now above the 40-day moving average suggests the longer-term trend has turned up. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. The close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 2.61. The next area of resistance is around 2.60 and 2.61, while 1st support hits today at 2.57 and below there at 2.55.

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										
GCAQ7	1271.3	63.73	59.28	80.00	86.40	1267.05	1262.37	1247.68	1260.09	1252.95
SIAN7	17.300	61.43	55.55	82.17	88.89	17.31	17.13	16.77	17.45	17.45
PLAN7	950.30	55.23	53.12	76.45	73.72	951.78	947.90	934.37	947.45	950.29
CPAN7	2.58	55.53	52.39	64.59	68.10	2.58	2.58	2.55	2.59	2.60

Calculations based on previous session. Data collected 05/31/2017

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						
GCAQ7	COMEX Gold	1255.5	1263.9	1270.3	1278.7	1285.1
SIAN7	COMEX Silver	17.116	17.202	17.311	17.397	17.506
PLAN7	COMEX Platinum	933.50	943.00	948.10	957.60	962.70
CPAN7	COMEX Copper	2.54	2.56	2.57	2.60	2.61

Calculations based on previous session. Data collected 05/31/2017

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