

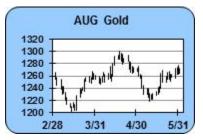
DAILY METALS COMMENTARY Friday June 02, 2017

PRECIOUS METALS COMMENTARY 06/02/17

Higher equities leave safe haven instruments out of favor

OVERNIGHT CHANGES THROUGH 6:05 AM (CT): GOLD -4.50, SILVER -8.60, PLATINUM +0.30

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were higher overnight with the CSI, MICEX, Hang Seng and RTS bucking the trend and trading lower. The Asian session was fairly quiet data-wise but featured a May reading on Japanese consumer confidence which as expected showed a



modest uptick to 43.60 from April's 43.2 reading. The European session started out with a May reading on the UK construction PMI that surprised the trade with an up-tick of 2.9 to 56.00 compared to the prior month reading of 53.10. April Euro zone PPI was expected to have a moderate increase from March's 3.9% year-over-year rate but instead it registered a stronger than expected print of 4.30%. The North American session will start out with the highlight for global markets, the May employment situation report. May non-farm payrolls are forecast to come in around the 180,000 to 190,000 level which compares to April's 211,000 reading, but may be vulnerable to an upside surprise after the strong ADP employment survey. May unemployment is expected to hold steady at 4.4% while May average hourly earnings are forecast to see a minimal downtick from April's 0.3% reading. The April international trade balance is expected to show a moderate increase to the monthly deficit. April Canadian international merchandise trade is forecast to have a modest downtick in their monthly deficit. Philadelphia Fed President Harker will speak during morning US trading hours while Dallas Fed President Kaplan will speak during the afternoon.

GOLD / SILVER

While the trade will suggest that weakness in gold and silver has been the result of strength in the dollar, strength in the dollar this week has been fleeting and unimpressive. In fact into the opening today the dollar is actually trading lower on the week and therefore we discount the impact of the dollar on the gold and silver markets unless the September Dollar index trades back above 97.28 sometime today. On the other hand gold and silver have seen some liquidation off declining safe haven interest in the wake of the latest round of new all-time highs in US equities but also because of a loose interpretation of US data. In fact for the time being it appears as if the bar for economic data improvement is relatively low into a flurry of data this morning. We would suggest that the headline payroll reading will dominate but that hourly earnings might be the key reading as rising wages probably influences the Fed more than an absolute payroll expansion. Safe haven anxiety has been dealt an additional blow with the FTSE 100 hitting a new all-time record high today and various equity market measures in Asia regaining key points on their charts overnight. Apparently the trade has judged dataflow this week to push the needle minimally toward a June 14th US rate hike and that thinking is applying pressure to the precious metals complex. However with the US nonfarm payroll report looming later this morning and expectations for that report probably being raised due to private job sector information released earlier this week, there could be a volatility event today following the 7:30 data. Technically the as expected nonfarm payroll result of 185,000 would technically be softer than the prior reading of 211,000 and therefore the bear camp in gold and silver might need to see a better-than-expected reading to facilitate additional rate hike/Fed generated selling. On the other hand, one can't discount the poor chart action over the last 72 hours of trade especially if August gold fails to hold a quasi-double bottom low of \$1261.70 in the early going today. Total gold derivative holdings overnight increase by a little more than 7,000 ounces with silver derivative holdings unchanged.

PLATINUM

From a technical perspective, the big range down failure in the July platinum contract yesterday and the failure to

hold above the 50 day moving average leaves the technical track negative and perhaps there is little in the way of support in July platinum until \$917.50. On the other hand, palladium continues to be the favored PGM market as it has already forged an upside breakout above the April high of \$829.25 this morning and it appears to be gaining ground off something other than simple spread orientated buying. In fact palladium could have been undermined as a result of the slack US auto sales results yesterday but that development combined with weak Construction Spending hasn't done anything to limit prices. In our opinion palladium is indeed drafting support from spread play but it might be possible that the possible threat of crimped supply flow from Russia is operating in the background.

TODAY'S MARKET IDEAS:

In retrospect, an inside day down in August gold wasn't that damaging to the technical structure of the gold market, and we doubt the dollar will show sustain strength today once the initial reaction to the nonfarm payroll has passed. However, there could be some initial pressure on gold and silver prices before the dollar relents. While we think the 50 day moving average at \$1,260.10 could provide support to August gold, volatility following nonfarm payrolls could be extensive and those with longs might consider exiting this morning or placing stops below the consolidation low at \$1,249. Silver on the other hand showed a huge range down washout and recovery in the prior trading session, and that action might have balanced its technical condition and in turn that might reduce its vulnerability to US dollar action today. The 50 day moving average in July silver sits well above the market and the path of least resistance is pointing down with critical support seen around the prior low of \$17.00.

NEW RECOMMENDATIONS:

None.

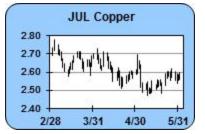
PREVIOUS RECOMMENDATIONS:

None.

COPPER COMMENTARY 06/02/17

The path of least resistance remains down

GENERAL: All things considered, the copper market performed impressively yesterday as it discounted weakness in precious metals and it also discounted a rise in the US dollar. However, copper was only temporarily cheered by the fact that a number of US stock market measures forged fresh new all-time highs as weakness in prices has returned with vengeance this morning. While some might suggest that the weekly Shanghai copper stocks rise of 9,654 tons is behind the washout in copper prices today we would argue that copper has



been within a downtrend pattern for the past seven trading sessions and that part of today's weakness is the result of less than stellar Chinese and US economic news this week. As in other physical commodity markets the copper market might be seeing some minimal negative spillover from the US exit of the Paris Accord but weakness in other base metals prices suggest that physical demand views are not tightly correlated with global equity market action. Countervailing the Shanghai copper stocks build this week is the reality that Shanghai has seen eight weeks of declines in stocks out of the last 11 weeks. It should also be noted that LME copper stocks have had nine daily draws in a row and stocks have declined in 16 of the last 18 sessions. Over the last 18 days LME copper stocks have declined by 46,650 tons.

MARKET IDEAS:

With a fresh technical breakout down this morning, a good news is bad mentality and a rise in weekly Shanghai copper stocks the bear camp clearly has control over prices. Near term downside targeting in July copper is seen at \$2.5285 and to turn the tide away from the bear tilt probably requires a bounce back above \$2.5535. We hold-out hope that declines over the coming 2-3 trading sessions will allow us to buy copper much cheaper within the May trading range.

NEW RECOMMENDATIONS:

Buy July Copper down at \$2.5105 with an objective \$2.6095. Risking the trade to \$2.4880.

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) 06/02/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market's close below the pivot swing number is a mildly negative setup. The next upside objective is 1277.7. The next area of resistance is around 1273.6 and 1277.7, while 1st support hits today at 1264.6 and below there at 1259.6.

COMEX SILVER (JUL) 06/02/2017: The major trend has turned down with the cross over back below the 40-day moving average. Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's close above the 9-day moving average suggests the short-term trend remains positive. The close below the 1st swing support could weigh on the market. The next upside target is 17.616. The next area of resistance is around 17.477 and 17.616, while 1st support hits today at 17.093 and below there at 16.847.

COMEX PLATINUM (JUL) 06/02/2017: The close under the 60-day moving average indicates the longer-term trend could be turning down. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The close below the 2nd swing support number puts the market on the defensive. The next downside objective is now at 909.80. The next area of resistance is around 945.70 and 961.40, while 1st support hits today at 919.90 and below there at 909.80.

COMEX COPPER (JUL) 06/02/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. 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 next upside objective is 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

	01 005	9 DAY	14 DAY	14 DAY SLOW	14 DAY SLOW	4 DAY	9 DAY	18 DAY	45 DAY	60 DAY
	CLOSE	RSI	RSI	STOCH D	STOCH K	M AVG				
METALS CO	OMPLEX									
GCAQ7	1269.1	59.27	56.90	83.06	87.48	1270.40	1264.27	1250.06	1260.34	1253.80
SIAN7	17.285	59.94	54.87	85.19	89.43	17.36	17.21	16.83	17.43	17.44
PLAN7	932.80	44.26	45.94	71.46	61.46	946.78	947.47	935.63	946.83	949.76
CPAN7	2.58	56.43	52.91	66.15	69.83	2.57	2.58	2.55	2.58	2.60
Coloulation			nation Data	collected 06/0	1/2017					

Calculations based on previous session. Data collected 06/01/2017

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	1259.5	1264.5	1268.6	1273.6	1277.7						
SIAN7	COMEX Silver	16.846	17.092	17.231	17.477	17.616						
PLAN7	COMEX Platinum	909.80	919.90	935.60	945.70	961.40						
CPAN7	COMEX Copper	2.54	2.56	2.58	2.60	2.61						
Calculations based on province assessor. Data callested 06/01/2017												

Calculations based on previous session. Data collected 06/01/2017

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.