



DAILY METALS COMMENTARY Monday June 05, 2017

PRECIOUS METALS COMMENTARY

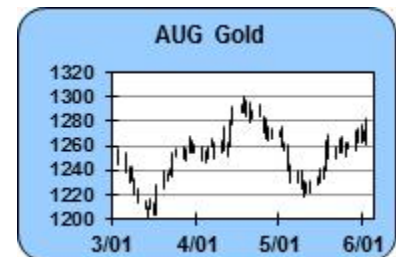
06/05/17

Fresh terrorism issues & M.E. isolation of Qatar is bullish

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD +2.50, SILVER -1.00, PLATINUM +1.60

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were mostly lower overnight with the exceptions the RTS, MICEX and Hang Seng which carved out minimal gains. The markets were initially presented with a positive Chinese PMI reading which rose to 54.5 in May compared to 54.0 in April. The European session presented Markit services and composite PMI readings from around the region with France posting an improvement over the prior month, unchanged readings from Germany, and the Euro zone Composite services ticking down. However, Italian Services PMI readings fell rather significantly taking away some of the positive buzz from France and China. The North American session will start out with a first quarter reading for non-farm productivity expected to show modest improvement with unit labor costs that are forecast to see a moderate decline. The May ISM non-manufacturing index is expected to have a moderate downtick from April's 57.5 reading. April factory orders are forecast to have a modest downtick from March's 0.2% and fall into negative territory. The Fed's labor market conditions index and the Markit services PMI number will also be released during morning US trading hours, both of which are expected to improve on their previous readings. Earnings announcements will include Casey's General Stores and Thor Industries after the Wall Street close.



GOLD / SILVER

The bull camp in gold and silver have a number of bullish themes working in their favor to start the new trading week, and that clearly justifies the highest price print since April 21st to start the new trading week. In addition to a distinct downside breakout in the US dollar last week, scheduled data from the US last Friday was clearly soft enough to revive economic uncertainty toward the US and ongoing geopolitical developments like the terrorist incident in London, the US exit from the Paris Accord and Middle East isolation of Qatar ratchets up political uncertainty around the globe. In fact, with the weekend terrorist actions in the UK and predictions from experts that attacks are likely to come in waves, the safe haven angle in gold and silver is clearly moved onto a front burner. In looking back, a logical assumption of the disappointing nonfarm payroll result from the US is that the US Fed will probably not take action later this month, and that in turn adds to the weakness in the Dollar which in turn is supportive of gold, silver, platinum and palladium. Fortunately for the bull camp, the Commitments of Traders Futures and Options report as of May 30th for Gold showed Non-Commercial and Non-reportable combined traders only held a net long position of 188,425 contracts and while that reading is probably understated we wouldn't judge the market to be overbought until the net long reaches 275,000 contracts. The silver market would seem to retain even more buying capacity than gold given that the Commitments of Traders Futures and Options report as of May 30th for Silver showed Non-Commercial and Non-reportable combined traders only held a net long position of 71,120 contracts (overbought in our view is 100,000 contracts)! The world's largest gold ETF saw their holdings rise by 3.55 tonnes last Friday to reach their highest levels since May 22nd.

PLATINUM

The wild divergences between palladium and platinum continued into the end of last week, but we think that relationship has now reached an extreme. In the palladium market, prices from the May low have rallied nearly \$100 and the rally has been accomplished on declining volume and open interest, and that suggests a blow-off top might be in motion. While the most recent Commitments of Traders Futures and Options report as of May 30th for Palladium showed Non-Commercial and Non-reportable combined traders only held a net long position of

18,433 contracts, that reading is clearly understated due to the rally of \$38 an ounce after the report was compiled. The record all time spec and fund long in palladium was 30,000 contracts, and we might be approaching that reading in the event of another upward extension this week. The Commitments of Traders Futures and Options report as of May 30th for Platinum showed Non-Commercial and Non-reportable combined traders held a net long position of 21,595 contracts. It should be noted that both platinum and palladium derivative holdings declined at the end of last week in a development that speaks against broad-based investor interest in the PGM complex.

TODAY'S MARKET IDEAS:

Given the disappointing US scheduled data, somewhat favorable Chinese economic readings overnight and rising geopolitical anxiety both inside and outside of the US, it is very difficult to take control of gold and silver away from the bull camp. It should be noted that flows into gold derivative holdings picked up even before the weekend terrorism issues, and that should add to the bull case. Uptrend channel support in August gold today comes in at \$1263.90 and there might be little in the way of resistance until the \$1,300 level. Uptrend channel support in July silver today is seen at \$17.10, and there might be little in the way of resistance seen until the \$18.05 level.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

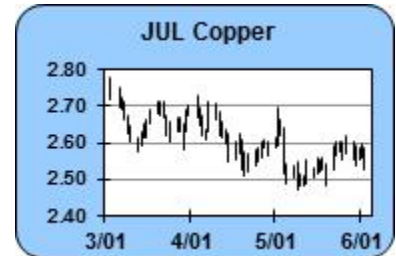
None.

COPPER COMMENTARY

06/05/17

The bear camp retains control in our opinion

GENERAL: While the July copper contract showed significant weakness last Friday morning and it reached the lowest price probe since May 18th, it ultimately managed to recover and eventually the contract was able to trade as much as five cents above its lows for the day. Clearly US copper demand was called into question by the disappointing monthly US nonfarm payroll result, but extending daily declines in London Metal Exchange (LME) copper stocks would seem to suggest that demand outside the US is still helping to pull down supply.



However, the terrorism incident over the weekend and a partial risk-off vibe from equities has resulted in copper discounting positive Chinese PMI results overnight. The Commitments of Traders Futures and Options report as of May 30th for Copper showed Non-Commercial and Non-reportable combined traders held a net long position of only 9,751 contracts and therefore the vulnerability of copper prices should be waning.

MARKET IDEAS:

Given disappointing US scheduled data last week, fresh international headwinds from terrorism and poor chart action to start today it is difficult to take control away from the bear camp. In fact with July copper trading in the upper quarter of the last two months trading range and copper in the latest positioning report still long nearly 10,000 contracts, we favor a "sell rallies" approach. Downtrend channel resistance from the February and May high comes in this morning around \$2.5960, but closer in resistance is seen at \$2.575.

NEW RECOMMENDATIONS:

Buy July Copper down at \$2.5205 with an objective \$2.6095. Risking the trade to \$2.4890.

PREVIOUS RECOMMENDATIONS:

None.

| Commitment of Traders - Futures and Options - 5/23/2017 - 5/30/2017 | | | | | | |
|---|-------------------|--------------|-------------------|--------------|-------------------|--------------|
| Non-Commercial | | | Commercial | | Non-Reportable | |
| Net Position | Weekly Net Change | Net Position | Weekly Net Change | Net Position | Weekly Net Change | Net Position |
| | | | | | | |

| Metals | | | | | | |
|-----------|---------|---------|----------|---------|--------|--------|
| Copper | 9,725 | -3,405 | -9,750 | +1,096 | 26 | +2,310 |
| Gold | 171,808 | +12,198 | -188,426 | -13,445 | 16,617 | +1,246 |
| Palladium | 17,902 | +397 | -18,434 | -364 | 531 | -34 |
| Platinum | 16,598 | +576 | -21,595 | -807 | 4,997 | +231 |
| Silver | 60,439 | +9,655 | -71,120 | -6,738 | 10,681 | -2,917 |

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) 06/05/2017: 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 outside day up is somewhat positive. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The next upside objective is 1296.9. The next area of resistance is around 1291.5 and 1296.9, while 1st support hits today at 1271.1 and below there at 1256.0.

COMEX SILVER (JUL) 06/05/2017: The major trend could be turning up with the close back above the 60-day moving average. Rising stochastics at overbought levels warrant some caution for bulls. The market's short-term trend is positive on the close above the 9-day moving average. Market positioning is positive with the close over the 1st swing resistance. The next upside objective is 17.893. The next area of resistance is around 17.742 and 17.893, while 1st support hits today at 17.278 and below there at 16.964.

COMEX PLATINUM (JUL) 06/05/2017: The cross over and close above the 60-day moving average is an indication the longer-term trend has turned positive. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. Market positioning is positive with the close over the 1st swing resistance. The next downside target is now at 916.35. The next area of resistance is around 970.40 and 979.95, while 1st support hits today at 938.60 and below there at 916.35.

COMEX COPPER (JUL) 06/05/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market tilt is slightly negative with the close under the pivot. The next upside target is 2.62. The next area of resistance is around 2.60 and 2.62, while 1st support hits today at 2.55 and below there at 2.51.

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 | 1281.3 | 67.23 | 62.50 | 86.09 | 91.73 | 1273.13 | 1267.10 | 1252.93 | 1260.83 | 1254.90 |
| SIAN7 | 17.510 | 67.71 | 60.43 | 87.18 | 91.23 | 17.41 | 17.29 | 16.90 | 17.41 | 17.44 |
| PLAN7 | 954.50 | 56.16 | 54.12 | 67.94 | 62.31 | 943.73 | 948.63 | 937.36 | 946.71 | 949.72 |
| CPAN7 | 2.57 | 51.65 | 50.40 | 67.20 | 69.04 | 2.58 | 2.58 | 2.56 | 2.58 | 2.60 |

Calculations based on previous session. Data collected 06/02/2017

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 | 1255.9 | 1271.0 | 1276.4 | 1291.5 | 1296.9 |
| SIAN7 | COMEX Silver | 16.963 | 17.277 | 17.428 | 17.742 | 17.893 |
| PLAN7 | COMEX Platinum | 916.35 | 938.60 | 948.15 | 970.40 | 979.95 |

CPAN7 COMEX Copper 2.50 2.54 2.56 2.60 2.62
Calculations based on previous session. Data collected 06/02/2017
Data sources can & do produce bad ticks. Verify before use.

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