



PRECIOUS METALS COMMENTARY

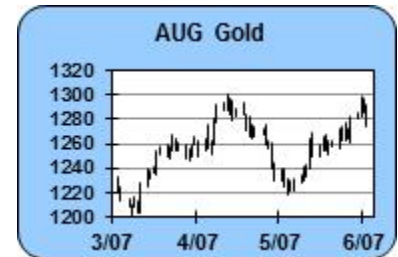
06/09/17

The markets remain vulnerable to more long liquidation today

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD -3.30, SILVER -9.40, PLATINUM +6.50

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were mostly higher overnight with the exception the Hang Seng as the markets weren't undermined by the surprise failure to get a "government" in the UK. Overnight May Chinese CPI saw as expected uptick from April's 1.2% year-over-year rate, while the May Chinese PPI saw a moderate downtick from April's 6.4% year-over-year rate. The European session started out with the April German trade balance that showed a slight contraction. April UK industrial production saw slight gains with April UK manufacturing production also managing a slight uptick. The North American session will start out with May Canadian employment figures, with their unemployment rate expected to uptick from April's 6.5% reading while there is a moderate increase in their net employment. April US wholesale inventories are forecast to uptick from March's -0.3% reading and climb into positive territory. Earnings announcement will include Straight Path Communications before the Wall Street opening.



GOLD / SILVER

The gold and silver markets came under wholesale liquidation yesterday in the wake of a slight downtick in international geopolitical flashpoints. Other issues that played into the corrective smash in gold and silver yesterday were strength in the Dollar, favorable US economic data from initial claims and slightly less economic uncertainty from China. While political conditions in the UK remain highly uncertain the gold market this morning is not benefiting from that continuing saga and that suggests the bull camp is indeed rocked back on its heels. Even more surprising is the fact that the Trump presidency is expected to remain under fire because of testimony from the former FBI director to Congress and yet gold has not benefited from that geopolitical flashpoint. The World Gold Council this week released a report forecasting that India's introduction of a Goods and Services tax (GST) would eventually be a net positive for that nation's gold industry and that has been given little credence over the last 24 hours. However, the world's largest gold ETF saw their holdings rise by 2.07 tonnes on Thursday and those holdings have now reached their highest total since December 6th. Clearly August gold was overdone due to the four day low to high rally of \$37 but given the magnitude of the washout in prices yesterday it appears that the fundamental case is in the midst of a reset. In the end, one cannot discount the importance of the action in the dollar on gold but we would have expected the Dollar to have come under attack because of the political fireworks in the US but instead the UK election surprise has lifted the Dollar despite Washington troubles. While the brunt of the impact from the Comey testimony is probably factored-into prices already, possible extensions of that problem could arise from the appointment of the independent counsel aimed at the president. However, to get a quick recovery in gold and silver might require actual impeachment talk from the Democrats.

PLATINUM

Clearly favorable fundamental price projections from North American Palladium (in the prior trading session) were completely lost on the trade. However, the palladium market continued its stellar performance relative to platinum in a fashion that suggest favorable Chinese import/export news and/or strong Chinese oil imports confirm the Chinese economy is doing well enough to keep demand hopes for palladium alive. On the other hand given the diversion action between palladium and platinum, we suspect that long palladium/short platinum spread plays are back in play again and that may result in palladium finishing the week on an upbeat note, even if the rest of the precious metals markets are off balance and under pressure. However, the failure to hold above \$840.25 in September palladium could damage the technical structure and prompt a profit-taking wave to end the week.

TODAY'S MARKET IDEAS:

The breakout down and continued weakness in gold and silver has to worry the bulls as two key geopolitical issues (the UK election & US obstruction of Justice) have not been fully resolved and yet prices are in a liquidation track. At this point we suspect the flap over the UK election will moderate if the Prime Minister manages to stay on with a Minority government. Furthermore one might have expected gold and silver to have drafted sustained support from the prospect of serious legal problems for the Trump administration but instead they haven't. In our opinion, the testimony from Thursday provides the Democrats with enough leads to pursue the issue for a moderate period of time but the UK situation appears to be set to lose momentum. While gold might see support develop around the \$1275 level, the inability to hold above \$1270 could set the liquidation tide in motion again.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

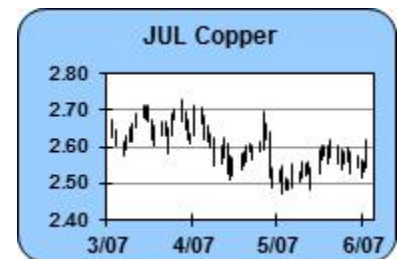
None.

COPPER COMMENTARY

06/09/17

The bull camp regains control temporarily off China news

GENERAL: The copper market was clearly lifted by news yesterday that Chinese overall imports and exports expanded in the latest monthly statistics as that hints at economic recovery. However, copper-centric import news was a little more complicated yesterday with copper concentrate and copper ore imports declining, while copper anode, refined copper and semi-finished copper imports increased. It would seem like copper is indeed benefiting from a slight improvement in global risk sentiment this morning (despite the unresolved nature of key political problems) and it would also seem as if the market is benefiting from favorable technical action. We continue to be amazed that declining LME copper stocks have been given little credence by the market but news overnight of a 17,977 ton decline in weekly Shanghai copper stocks is a definitive lift for the bull's case. Therefore the sharp run-up in prices on Thursday and again overnight clearly highlights the ever present importance of anticipated Chinese demand. While we doubt the market has the justification for a sustained rise above \$2.6295 today a large decline in weekly Shanghai copper stocks is difficult to discount.

**MARKET IDEAS:**

One has to take the action in the last 24 hours to heart, as copper once again showed its positive sensitivity to any favorable Chinese news. However global economic conditions and demand hopes for copper are not exactly stellar and that could make an overdone near term extension on the upside an opportunity to get short. While we think \$2.60 is an expensive level, we can't deny a couple days of trade up towards the \$2.65 level.

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 (AUG) 06/09/2017: The daily stochastics have crossed over down which is a bearish indication. Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The close above the 9-day moving average is a positive short-term indicator for trend. The close below the 1st swing support could weigh on the market. The next downside target is now at 1264.0. The next area of resistance is around 1290.4 and 1299.9, while 1st support hits today at 1272.4 and below there at 1264.0.

COMEX SILVER (JUL) 06/09/2017: The market back below the 60-day moving average suggests the longer-term trend could be turning down. A crossover down in the daily stochastics is a bearish signal. 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 below the 9-day moving average is an indication the short-term trend remains negative. The close below the 1st swing support could weigh on the market. The next downside objective is now at 17.062. Daily studies pointing down suggests selling minor rallies. The next area of resistance is around 17.627 and 17.851, while 1st support hits today at 17.233 and below there at 17.062.

COMEX PLATINUM (JUL) 06/09/2017: The market back below the 40-day moving average suggests the longer-term trend could be turning down. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 926.60. The next area of resistance is around 946.50 and 955.40, while 1st support hits today at 932.10 and below there at 926.60.

COMEX COPPER (JUL) 06/09/2017: The cross over and close above the 60-day moving average indicates the longer-term trend has turned up. The crossover up in the daily stochastics is a bullish signal. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. There could be more upside follow through since the market closed above the 2nd swing resistance. The next upside objective is 2.67. The next area of resistance is around 2.65 and 2.67, while 1st support hits today at 2.58 and below there at 2.53.

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	1281.4	57.97	57.90	88.28	83.52	1288.70	1279.73	1266.98	1263.69	1260.19
SIAN7	17.430	56.08	54.90	89.77	86.64	17.59	17.48	17.20	17.35	17.48
PLAN7	939.30	46.21	47.76	62.82	54.18	951.95	949.39	946.29	946.17	950.36
CPAN7	2.61	63.11	57.62	62.24	65.07	2.57	2.57	2.57	2.57	2.60

Calculations based on previous session. Data collected 06/08/2017

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	1263.9	1272.4	1281.9	1290.4	1299.9
SIAN7	COMEX Silver	17.061	17.232	17.456	17.627	17.851
PLAN7	COMEX Platinum	926.59	932.09	941.00	946.50	955.40
CPAN7	COMEX Copper	2.52	2.57	2.59	2.65	2.67

Calculations based on previous session. Data collected 06/08/2017

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.