



DAILY METALS COMMENTARY Thursday December 29, 2016

PRECIOUS METALS COMMENTARY

12/29/16

Positive technical setup & a weaker Dollar is bullish

OVERNIGHT CHANGES THROUGH 3:15 AM (CT):

GOLD +7.70, SILVER +15.20, PLATINUM +3.70

OUTSIDE MARKET DEVELOPMENTS: Global equity markets continue to appear as if they are running out of steam with the month-end and year-end on the horizon. A weaker than expected reading for US pending home sales may have been the catalyst for the turnaround in sentiment as thin post-holiday markets may have exaggerated the impact of US pending home sales. The Asian economic calendar was relatively quiet while the European schedule featured November readings for French and Italian CPI and November Euro zone loans to households which rose by 1.9% in November versus the prior month. The North American economic calendar will start out with a weekly reading on initial jobless claims that are forecast to downtick from the previous 275,000 reading. November wholesale inventories are expected to see a moderate increase from October's -0.4% reading and climb into positive territory. The November goods/trade balance is expected to see a decrease from October's \$62 billion deficit.



GOLD / SILVER

The gold and silver markets diverged with the rest of the metals complex on Wednesday as if the weakness in US equities and the softer than expected US scheduled data flow was providing some fresh flight to quality interest. Even more surprising is the fact that gold and silver were able to spend a lot of time in positive ground yesterday in the face of noted strength in the US Dollar. Talk of decent Indian jewelry demand this week was probably anecdotal in nature, but that might have prompted some early year-end short covering buying yesterday and that could continue today. There has been some talk about gold bottoming in December in a similar fashion to last year and the prior 2 years before that. In summary in each of the prior 3 years, gold rallied slightly at the end of December but the brunt of the short covering gains were seen by extending the short covering rally into and through mid-January. Furthermore, the current year has gold coming off nearly 6 months of aggressive selling, and therefore we can rule out a moderate short covering bounce. However, the fundamental track would seem to offer up a bearish tilt as the press overnight reported Chinese gold imports from Hong Kong declined to a 10 month low.

PLATINUM

Platinum and palladium diverged with gold and silver on the second day of the holiday shortened trading week and therefore the begrudging gains in the wake of noted strength in gold overnight are not surprising. As suggested in gold coverage today, the weakness in the PGM complex might have been the result of slack US pending home sale data and a general void of optimism toward industrial commodities. We do think that ongoing gains in gold could serve to drag the PGM complex higher over the coming 2 trading sessions. In fact Platinum also showed minimal short covering at the end of the last 3 years but was unable to extend that short covering action during January of 2015, 2014 and 2013! For March palladium, trend line resistance rises to \$690.90 today and support rises to \$667.35. Trend line resistance for January platinum comes in at \$917.40 today and support is \$898.

TODAY'S MARKET IDEAS:

Take your pick, technical action points to a rally to end the year and for the rally extend into the month of January (look to the prior 4 years action). On the other hand, the fundamental case looks a little suspect with the Dollar periodically showing signs of finishing the year strong. However, the Dollar bulls were dealt a blow in the wake of

the slide in US pending home sales yesterday and another dose of slack data today might put the Dollar away for the rest of this week. An issue that might provide some safe haven interest for gold could be a sharp extension of the corrective action in equities from the Wednesday trade. Downtrend channel resistance in February gold was seen at \$1,139.80 and since that level was taken out early today the trade is presented with a positive reversal. In short, there are a couple technical signs of a bottom and the short covering could extend into 2017!

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COPPER COMMENTARY

12/29/16

We give the bear camp a slight edge today

GENERAL: The copper market has managed higher high moves for the first 3 sessions of the week and it reached the highest level since December 19th before settling back weaker on the Wednesday trading session. With the market talking up the idea that the recent swing upward in exchange warehouse stocks was Chinese supply coming onto the world market it wasn't surprising to see selling in the first two days of the holiday shortened trading week. We also suspect that strength in the Dollar and weakness in equities yesterday contributed to the weakness in copper prices and with both of those influences reversed today a small measure of gains today shouldn't be surprising. However, the market might have been knocked off this week's highs by news that Chinese Mongolian copper ore and copper concentrate imports were off by nearly 35% in the January through October timeframe as compared to year ago levels! Fortunately LME copper stocks overnight declined by 2,750 tons and that should provide some minor cushion to prices to start today.



MARKET IDEAS:

In the face of slack US scheduled data the copper market might see some weakness but it is possible that the \$2.50 level is regaining some significance as a support level. In order to turn the tide away from the downside might require a rally back above \$2.5450 today.

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 (FEB) 12/29/2016: Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market has a slightly positive tilt with the close over the swing pivot. The next upside objective is 1150.1. The next area of resistance is around 1147.2 and 1150.1, while 1st support hits today at 1139.2 and below there at 1134.2.

COMEX SILVER (MAR) 12/29/2016: Daily stochastics are trending lower but have declined into oversold territory. The close above the 9-day moving average is a positive short-term indicator for trend. It is a mildly bullish

indicator that the market closed over the pivot swing number. The next downside target is now at 15.769. The next area of resistance is around 16.222 and 16.318, while 1st support hits today at 15.948 and below there at 15.769.

COMEX PLATINUM (JAN) 12/29/2016: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 883.08. The next area of resistance is around 907.95 and 916.47, while 1st support hits today at 891.25 and below there at 883.08.

COMEX COPPER (MAR) 12/29/2016: The crossover up in the daily stochastics is a bullish signal. The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. A negative signal for trend short-term was given on a close under the 9-bar moving average. The downside closing price reversal on the daily chart is somewhat negative. The market has a slightly positive tilt with the close over the swing pivot. The next upside objective is 2.56. The next area of resistance is around 2.53 and 2.56, while 1st support hits today at 2.48 and below there at 2.46.

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										
GCAG7	1143.2	41.07	36.21	18.68	22.84	1136.58	1135.89	1152.65	1207.10	1221.49
SIAH7	16.085	40.32	39.84	20.83	18.51	15.91	16.00	16.52	17.11	17.25
PLAF7	899.60	41.30	42.17	32.97	24.30	901.08	909.74	922.66	943.68	945.40
CPAH7	2.50	38.85	45.24	18.87	19.18	2.50	2.52	2.58	2.49	2.40

Calculations based on previous session. Data collected 12/28/2016

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						
GCAG7	COMEX Gold	1134.1	1139.2	1142.1	1147.2	1150.1
SIAH7	COMEX Silver	15.768	15.947	16.043	16.222	16.318
PLAF7	COMEX Platinum	883.07	891.25	899.77	907.95	916.47
CPAH7	COMEX Copper	2.45	2.47	2.50	2.53	2.56

Calculations based on previous session. Data collected 12/28/2016

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