



DAILY METALS COMMENTARY Tuesday January 03, 2017

PRECIOUS METALS COMMENTARY

01/03/17

"Risk on" mood weighs on precious metals

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD -2.30, SILVER +1.10, PLATINUM +15.60

OUTSIDE MARKET DEVELOPMENTS: Global markets have taken on a positive, reflation-type tone to start the week, after end-of-year rebalancing sparked weakness late last week. Over the weekend, both "official" Chinese PMI numbers were released. One came in slightly below market forecasts while the December Caixin Chinese manufacturing PMI number came in at 51.9, which was a stronger than expected increase. While most of the world was still out on holiday on Monday, several European stock markets opened up the year with decent gains. The Dollar has put together a sizable gain to start out the New Year, mostly at the expense of the Euro, but this does not seem to be affecting other markets, with the possible exception of gold. European manufacturing PMI readings were mostly in-line with forecasts with a sizable jump for Italy a notable exception. A December reading on German unemployment held steady with November's 6.0% reading. December German CPI is expected to see a sizable increase from November's 0.7% year-over-year reading. The North American session will start out with a private survey of same-store sales that will see extra scrutiny as it will reflect post-holiday shopping levels. The December ISM manufacturing index is expected to uptick from November's 53.2 reading. November construction spending is expected to hold steady with October's 0.5% reading.



GOLD / SILVER

Gold prices have been unable to hold onto overnight strength, but they are only posting moderate losses coming into this morning's trading. We are torn between historical evidence of short covering in the first two weeks of the year and concern of softening demand in India due to the demonetization scheme and the pressure from outside markets. On the one hand, the reflation tone this morning should be supportive to gold, but the strength in the dollar overwhelms any bullish attitude towards that metal. There was a forecast over the weekend from a GFMS analyst which predicted that the Indian government's scheme could reduce gold demand there by 300 tons, and with that tally considerable compared to total demand, the bearish leanings from India should not be swept under the rug. Some players think that smuggled gold, which some put at 190 million tons annually, might pick up pace significantly, but it would be wrong to assume that smuggled gold volumes could make up the demand loss from regular imports. The Commitments of Traders Futures and Options report as of December 27th for Gold showed the Non-Commercial and Non-reportable combined traders held a net long position of 112,691 contracts. This is down from a peak of 372,000 last July, but it is perhaps still high enough to be somewhat limiting. A normal retracement of the November to December slide in prices could allow for a short covering bounce to \$1,207, with initial resistance seen at \$1,175. Silver finished poorly last week and it doesn't appear to have been affected by strength in the Dollar overnight. We would note that silver is also discounting favorable annual industrial demand forecasts, perhaps because of the mixed to choppy US data of late. We would also note that March silver over the last 4 months has seen several corrective bounces in excess of 30 days, but the recent bounce counted to 8 days! The Commitments of Traders Futures and Options report as of December 27th for Silver showed the Non-Commercial and Non-reportable combined traders held a net long position of 74,628 contracts.

PLATINUM

The PGM sector is reflecting the "risk on" mood seen at the start of the year with both metals posting decent gains this morning.

April platinum has shown some respect for the \$900 level over the last two weeks, but like silver we have to leave

the edge with the bear camp.

In fact, slack US scheduled data and negative guidance from silver suggests traders should be sellers of rallies. The Commitments of Traders Futures and Options report as of December 27th for Platinum showed the Non-Commercial and Non-reportable combined traders held a net long position of 27,873 contracts. For Palladium, Non-Commercial and Non-reportable combined traders held a net long position of 15,240 contracts. While stochastics are close to a "buy" mode in platinum, we can't rule out a fresh lower low and the lowest price since February of last year if the risk on mood fails.

TODAY'S MARKET IDEAS:

Gold's technical action has been positive of late, but that has been upended by the gains in the dollar. Uptrend channel support is seen down at \$1,146, and the next support area is down at \$1,128.60. Over the past 4 years, the gold market has had a tendency to see a short-covering rally in the first two weeks of the year.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COPPER COMMENTARY

01/03/17

Improving Chinese demand vibes providing early boost this week

GENERAL: Copper prices have continued to gain ground going into the New Year, reaching a new 2-year high early today. The market's coiling pattern would seem to suggest that the \$2.50 level is becoming some form of value or support. Short term technical indicators are registering "buy" signals, but the latest COT positioning report showed the specs moderately long. In the new trading week and new trading year, the markets will be keen to monitor the direction of LME copper stocks, as there has been some volatility in that measure over the last two months.



Today's 10,400-ton draw is the seventh straight daily decrease, and this follows six daily builds in a row. Chinese news has been mixed, with favorable import demand countervailed by a sharp rise in Shanghai copper stocks last week. A stronger than expected Caixin manufacturing PMI reading helps boost demand prospects. It should also be noted that output from Peru rose sharply in November relative to year-ago levels. The Commitments of Traders Futures and Options report as of December 27th for Copper showed Non-Commercial and Non-reportable combined traders held a net long position of 48,202 contracts, and as we suggested above, that is a touch bearish in our opinion.

MARKET IDEAS:

Buying support is seen down at \$2.47 in the March copper contract while resistance to start this week is seen up at \$2.56. Stochastics are signaling a "buy," but open interest has been slumping on the sideways action of the last two weeks. Down trend channel resistance today is seen up at \$2.5820, but that line falls down to \$2.56 by the end of this week.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 12/20/2016 - 12/27/2016						
Non-Commercial		Commercial		Non-Reportable		
Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change	

Metals						
Copper	45,653	-6,208	-48,202	+4,115	2,549	+2,093
Gold	91,185	-12,433	-112,691	+12,625	21,506	-191
Palladium	14,460	-993	-15,238	+819	780	+177
Platinum	24,410	-1,012	-27,873	+1,094	3,463	-82
Silver	58,787	-2,137	-74,627	+174	15,841	+1,966

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) 01/03/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market could take on a defensive posture with the daily closing price reversal down. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside objective is 1168.2. The next area of resistance is around 1158.2 and 1168.2, while 1st support hits today at 1144.2 and below there at 1140.3.

COMEX SILVER (MAR) 01/03/2017: Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. The outside day down is a negative signal. The market setup is somewhat negative with the close under the 1st swing support. The next upside target is 16.511. The next area of resistance is around 16.212 and 16.511, while 1st support hits today at 15.748 and below there at 15.582.

COMEX PLATINUM (JAN) 01/03/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The close over the pivot swing is a somewhat positive setup. The next downside objective is 893.33. The next area of resistance is around 905.45 and 910.32, while 1st support hits today at 896.95 and below there at 893.33.

COMEX COPPER (MAR) 01/03/2017: The crossover up in the daily stochastics is a bullish signal. Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The close above the 9-day moving average is a positive short-term indicator for trend. The market has a slightly positive tilt with the close over the swing pivot. The next upside objective is 2.53. The next area of resistance is around 2.52 and 2.53, while 1st support hits today at 2.49 and below there at 2.48.

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	1151.2	48.64	42.19	30.09	42.50	1147.25	1140.31	1150.02	1201.75	1217.52
SIAH7	15.980	40.29	40.03	21.84	22.02	16.06	16.00	16.43	17.04	17.19
PLAF7	901.20	42.91	43.10	26.56	21.46	900.78	906.60	918.67	940.80	942.61
CPAH7	2.50	42.50	46.73	19.31	20.49	2.50	2.50	2.56	2.50	2.41

Calculations based on previous session. Data collected 12/30/2016

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	1140.2	1144.2	1154.2	1158.2	1168.2
SIAH7	COMEX Silver	15.581	15.747	16.046	16.212	16.511
PLAF7	COMEX Platinum	893.32	896.95	901.82	905.45	910.32

