



DAILY METALS COMMENTARY Wednesday January 04, 2017

PRECIOUS METALS COMMENTARY

01/04/17

Ongoing allocation buying expected especially if \$ weakens

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD +4.40, SILVER +6.60, PLATINUM +4.80

OUTSIDE MARKET DEVELOPMENTS: International equity markets were mixed to slightly higher overnight with the biggest gainer the Nikkei 225. The markets might take some guidance from news that Euro zone Inflation in December was the highest in 3 years as that suggests some forward motion in that economic zone. The North American session will start out with the December ADP employment survey which is forecast to show a notable downtick from November's 216,000 reading. December total vehicle sales are expected to see a modest downtick from November's 17.9 million annualized rate. During early afternoon US trading hours, the FOMC will release the meeting minutes of their December gathering which will be scrutinized for signs of upcoming Fed policy moves.



GOLD / SILVER

The gold bulls have to be encouraged by the metal's strong performance in the face of the sharply higher dollar yesterday. For the last several years, the gold market has had a tendency to see an uptrend in the first couple weeks of the year, and perhaps we are set to see that pattern again. Overnight an Indian Minister proposed an import tax reduction from 10% to 6% but it is unclear if that proposal will fly in the face of the Indian monetization scheme. Improving Chinese economic data could help their gold consumption, and the Lunar New Year holidays later this month could bring in some buying as well. Minutes from the December FOMC meeting will be released today, and while we don't think it will offer much surprise, it could provide an opportunity for analysts to try to gauge how hawkish the committee is leaning in the wake of their last action. Shares in the world's largest gold ETF continued their almost 2-month long decline on Tuesday, falling by 8.3 tonnes from last Friday to 813.87 tonnes. The last time the fund marked a daily inflow was on November 9th.

PLATINUM

The PGM sector was clearly a major beneficiary of stronger risk appetites at the start of this year, as both platinum and palladium posted sizable gains by the close of Tuesday's trading session. We do think that the PGM complex is benefiting from spillover support from strength in gold and weakness in the Dollar is also contributing to the upward track. While palladium had a decent performance last year and was already over \$30 above its mid-December low coming into this week, platinum had the more abrupt change of fortune as it finished 2016 within \$13 of an 11-month low. Stronger economic prospects should lead to improving prospects for auto-catalyst and industrial demand for PGM metals. Some traders are suggesting that Platinum and Palladium are benefiting from beginning of year investment allocation but we lay the brunt of the gains on the positive leadership from gold.

TODAY'S MARKET IDEAS:

We expect to see more short covering ahead, especially if the dollar continues to fall back toward last week's lows. Uptrend channel support in February gold has moved up to \$1,149.90, with resistance now seen up at \$1,175 and then at \$1,180. An initial retracement target comes in up at \$1,224.70 but a more logical target is seen closer-in at \$1,182.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COPPER COMMENTARY

01/04/17

Mostly favorable economic vibes counter suspect chart action

GENERAL: Copper made a strong attempt to start out the year with a breakout of its recent consolidation, and the failure to sustain upside momentum probably gives the bulls some pause. A stronger than expected Caixin Chinese manufacturing PMI number, another sizable decline in LME exchange stocks overnight and favorable Euro zone/UK data overnight have boosted global demand prospects for copper and that once again should firm up the \$2.50 level as some form of value. Limiting the upside in copper is news at the end of last week of a large inflow in Shanghai copper exchange stocks as that suggests demand is failing to offset supply flow. Modest weakness in the Dollar and positive action in gold, crude oil and US equities would seem to leave the bias in copper pointing upward to start today.



MARKET IDEAS:

The bears may start out with a very minimal technical edge today as an outside day down and reversal from a 2-week high usually results in some downside follow-through. However, copper is "wired into" improving economic prospects from the US, Europe and China, so any sort of rebound in risk sentiment from equities could help copper regain upside momentum fairly quickly. Near-term support for March copper is seen down at \$2.4750 while resistance is seen up at the \$2.55 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 (FEB) 01/04/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. The daily closing price reversal up is a positive indicator that could support higher prices. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside target is at 1177.4. The next area of resistance is around 1169.4 and 1177.4, while 1st support hits today at 1150.0 and below there at 1138.5.

COMEX SILVER (MAR) 01/04/2017: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The market's close above the 9-day moving average suggests the short-term trend remains positive. A positive setup occurred with the close over the 1st swing resistance. The near-term upside objective is at 16.911. Short-term indicators suggest buying pullbacks today. The next area of resistance is around 16.657 and 16.911, while 1st support hits today at 16.043 and below there at 15.682.

COMEX PLATINUM (JAN) 01/04/2017: The cross over and close above the 40-day moving average indicates the longer-term trend has turned up. The daily stochastics have crossed over up which is a bullish indication. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market now above the 18-day

moving average suggests the intermediate-term trend has turned up. Follow through buying looks likely if the market can hold yesterday's gap on the day session chart. The market's close above the 2nd swing resistance number is a bullish indication. The near-term upside objective is at 965.47. The next area of resistance is around 953.25 and 965.47, while 1st support hits today at 918.55 and below there at 896.08.

COMEX COPPER (MAR) 01/04/2017: Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. The daily closing price reversal down puts the market on the defensive. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next upside objective is 2.56. The next area of resistance is around 2.51 and 2.56, while 1st support hits today at 2.46 and below there at 2.44.

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	1159.7	55.05	46.68	38.15	54.06	1152.60	1142.26	1149.47	1199.24	1215.91
SIAH7	16.350	52.73	48.11	24.60	29.98	16.16	16.04	16.41	17.01	17.17
PLAF7	935.90	60.26	54.59	31.74	42.08	909.58	909.04	918.87	940.23	942.16
CPAH7	2.48	38.46	44.16	19.67	20.48	2.50	2.50	2.55	2.51	2.42

Calculations based on previous session. Data collected 01/03/2017

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						
GCAG7	COMEX Gold	1138.4	1149.9	1157.9	1169.4	1177.4
SIAH7	COMEX Silver	15.681	16.042	16.296	16.657	16.911
PLAF7	COMEX Platinum	896.07	918.55	930.77	953.25	965.47
CPAH7	COMEX Copper	2.44	2.45	2.50	2.51	2.56

Calculations based on previous session. Data collected 01/03/2017

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