



DAILY METALS COMMENTARY

Thursday January 12, 2017

PRECIOUS METALS COMMENTARY

01/12/17

The bulls control off very weak \$ action and rising safe haven

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD +8.50, SILVER +11.20, PLATINUM +14.30

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were generally lower overnight with the Russian RTS one of the few markets able to buck the trend. The European session started out with December French CPI which showed a modest gain of 0.3% and that was joined by the fastest German GDP growth in 5 years. The North American session will start out with a weekly reading on initial jobless claims that is expected to see a sizable increase from the previous 235,000 reading. The December export price index and December import price index are both forecast to see a moderate increase from their November readings. The November Canadian new housing price index is forecast to show a minimal downtick from its October reading. A busy day of Fed speakers will include Chicago Fed President Evans and Philadelphia Fed President Harker during morning US trading hours, Atlanta Fed President Lockhart and St Louis Fed President Bullard during afternoon hours while Fed Chair Yellen will have a town hall meeting during evening hours. Earnings announcement will include Delta Air Line before the Wall Street opening while Infosys reports after the close.



GOLD / SILVER

Once again the action in the gold market is all about the direction of the greenback. With a 200 point reversal in the dollar index from its highs on Wednesday, the fortune of gold shifted by 180 degrees. However, with gold prices diverging with the rest of the precious metals complex yesterday, that highlights gold's singular focus on the action in currency markets and that also suggests that action in the Dollar isn't overly important to silver and the PGM complex. At least in the early going today the gold bulls are benefiting from a fresh downside breakout in the Dollar and from the potential for a supply disruption in South Africa from a mining wage dispute. With the Dollar falling down to the lowest level since December 14th it would seem like the combination of somewhat disappointing US data of late, the Trump Press Conference and the promise of a political battle in Washington off the repeal of Obamacare seems to have presented a number of elements capable of undermining the Dollar. As for the supply threat Harmony mines saw a sit-in protest at a South African mine that the company indicates is an illegal action. However the most important issue driving gold prices this morning might be technical momentum and the rise back above \$1,200 as that might pull in additional buying. In looking forward the focus of the gold trade will remain on the Dollar and the Dollar's reaction to initial jobless claims which are expected to show a large jump. Seeing a large jump in US claims could be a recipe for even more declines in the Dollar and even more gains in gold. Gold derivative holdings overnight rose by a scant 36,766 ounces while silver derivative holdings declined by a somewhat significant 2.8 million ounces.

PLATINUM

As suggested in the gold market coverage today, the platinum group metals complex yesterday failed to benefit from the reversal in the dollar and from the positive leadership from gold. However, this morning April platinum has registered a fresh upside breakout and it has risen above key overhead resistance around the \$986 level on the charts. While the platinum and the palladium markets failed to benefit from developing dollar weakness yesterday even more strength in gold and more noted weakness in the Dollar this morning has clearly stirred fresh buying with the highest April platinum trade seen since November 10th in place this morning. Apparently a slight tempering of global economic optimism is being discounted in the wake of slightly disappointing US data this week and perhaps that means the industrial demand component in the platinum and palladium trade is set to take a back seat to flight to quality and currency issues. Some will suggest that some of the gains in the precious

metals markets over the last 24 hours were the result of the president-elect's press conference as that fostered uncertainty and seemingly forced the Dollar down. If the Press Conference had focused on stimulating the economy through fiscal spending and tax cuts instead of Russia then the Dollar might not have come under pressure over the last 24 hours of trade. In the end PGM's are not industrial/physical commodities today they are flight to quality and currency related markets.

TODAY'S MARKET IDEAS:

The bull camp retains control over the gold market with the latest higher high rally extension overnight. It goes without saying that unfolding and significant weakness in the dollar is the main pillar of the current rally but seeing the president elect locked into a war of words with Russia and China over state hacking propagates a safe haven environment. Seeing the President Elect also distracted from tax reform and fiscal stimulus increases uncertainty and in turn dampens economic sentiment which in turn feeds into the Dollar washout. In short the bull camp has a fundamental and technical edge to start today. Uptrend channel support the February gold contract today is seen down at \$1,192 and there might be little in the way of resistance seen until the \$1,225 level. In order to turn the trend in the gold market back to the downside probably requires a rally in the dollar index back above 1.0230 or a slide in February gold back below a critical pivot point of \$1,182.20.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COPPER COMMENTARY

01/12/17

A potential trend decision in the offing the bears surface

GENERAL: The copper market came under long profit taking and perhaps fresh stop loss selling yesterday in the wake of early strength in the US dollar and extending weakness in US equities. While the anxiety from the Trump press conference appears to have added to the weakness in copper yesterday, the copper market actually started its slide several hours before the press conference and it probably remains a little off balance this morning because of weakness in global equities and from deteriorating economic optimism in the US. Deteriorating economic optimism is taking place because of the Trump focus on Russia and Health care instead of a focus on tax cuts and fiscal stimulus. It also goes without saying that disappointing US scheduled data is denting sentiment and in turn that is fueling selling in the Dollar. Therefore, we would suggest that signs of a developing top in copper are starting to surface but sharp declines in the Dollar, ongoing declines in LME copper stocks and news that China's November scrap copper imports managed a year-over-year gain of 8% should cushion the market against a wholesale washout in prices. It does seem as if the March copper is showing some respect for the \$2.60 level but the failure to hold that level today could shift sentiment squarely in favor of the bear camp.



MARKET IDEAS:

So far, the action in copper in the month of January has been very impressive but the overnight range up and reversal action has to be discouraging to the bull camp. However a double high from the Tuesday and Wednesday action might offer developing resistance in the wake of the setback from the highs overnight with that key area seen at the \$2.63 level. In the end deterioration in US economic optimism is partially countervailed by noted weakness in the Dollar and that might leave the action in US equities as the primary swing factor today and tomorrow. Potentially critical uptrend channel support in the March copper contract today is seen at \$2.5665.

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) 01/12/2017: Momentum studies are trending higher but have entered overbought levels. A positive signal for trend short-term was given on a close over the 9-bar moving average. The outside day up is a positive signal. A positive setup occurred with the close over the 1st swing resistance. The next upside target is 1211.3. The next area of resistance is around 1202.7 and 1211.3, while 1st support hits today at 1181.3 and below there at 1168.4.

COMEX SILVER (MAR) 01/12/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside objective is at 17.101. The next area of resistance is around 16.952 and 17.101, while 1st support hits today at 16.608 and below there at 16.412.

COMEX PLATINUM (JAN) 01/12/2017: 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 swing indicator gave a moderately negative reading with the close below the 1st support number. The next upside objective is 977.05. The next area of resistance is around 975.90 and 977.05, while 1st support hits today at 970.30 and below there at 965.85.

COMEX COPPER (MAR) 01/12/2017: Momentum studies are trending higher but have entered overbought levels. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market could take on a defensive posture with the daily closing price reversal down. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside target is at 2.64. The next area of resistance is around 2.61 and 2.64, while 1st support hits today at 2.59 and below there at 2.58.

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	1192.0	69.80	60.08	80.51	88.54	1183.95	1172.69	1154.16	1183.85	1208.04
SIAH7	16.780	61.88	55.11	65.55	79.62	16.72	16.52	16.26	16.78	17.08
PLAF7	973.10	65.84	60.53	82.04	91.40	973.90	949.97	929.86	936.95	944.14
CPAH7	2.60	62.89	59.28	54.35	70.13	2.57	2.54	2.53	2.56	2.46

Calculations based on previous session. Data collected 01/11/2017

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	1168.3	1181.2	1189.8	1202.7	1211.3
SIAH7	COMEX Silver	16.411	16.607	16.756	16.952	17.101
PLAF7	COMEX Platinum	965.85	970.30	971.45	975.90	977.05
CPAH7	COMEX Copper	2.57	2.58	2.60	2.61	2.64

Calculations based on previous session. Data collected 01/11/2017

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.*