



DAILY METALS COMMENTARY Tuesday January 17, 2017

PRECIOUS METALS COMMENTARY

01/17/17

Rising geopolitical uncertainty extends the bull case today

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD +18.40, SILVER +28.00, PLATINUM +7.80

OUTSIDE MARKET DEVELOPMENTS: An exchange of barbs between the President elect and Euro officials combined with the potential for fresh hard exit dialogue from the British Prime Minister has fostered some risk off sentiment today. However the risk off news did not negatively influence Asian equities overnight as the two Shanghai markets managed higher closes. The Dollar was at least partially undermined by much better than expected German ZEW current conditions readings of 77.3 versus only 63.5 in December! Other news that might have provided some support to Non-Dollar currencies was news that UK inflation was pegged at a 2 year high in the latest monthly readings. The North American schedule will be fairly quiet coming out of the holiday weekend, and will be highlighted by the NY Fed's January Empire State survey which is expected to hold steady with December's 9 reading. However, there will be a busy day of Fed speakers that will include NY Fed President Dudley and Fed Governor Brainard during morning US trading hours while San Francisco Fed President Williams will speak during late afternoon hours.



GOLD / SILVER

The gold and silver markets launched higher overnight in a move inspired by rising geopolitical uncertainty that appeared to be primarily inspired by fears a looming speech from the UK Prime Minister that is expected to rekindled threats of a hard British exit from the Euro zone. Another geopolitical uncertainty lift that is being cited is the uncertainty from the looming transition in power in the US and the prospect of a very volatile incoming administration. Just to add to the upward track in gold prices today is news that South African gold output in November was found to have declined by 9.4% relative to year ago levels. It is also very likely that unfolding weakness in the Dollar is providing the precious metals with an added wave of fresh buying and that buying interest might gather some added momentum in the event that the March Dollar Index manages to forge a fresh downside breakout this morning with a decline below 1.0070. It is also possible that comments from the Chinese President at the World Forum in Davos have increased uncertainty as he suggested that short term policy stimulus has been ineffective in boosting economic growth but that globalization has not been the cause of many problems in the world. The Commitments of Traders Futures and Options report as of January 10th for Gold showed Non-Commercial and Non-reportable combined traders held a net long position of 123,151 contracts and that positioning was probably overstated into last week's lows. Therefore the gold positioning was pretty balanced into last week's lows and that probably paved the way for part of the impressive gains this morning. The Commitments of Traders Futures and Options report as of January 10th for Silver showed Non-Commercial and Non-reportable combined traders held a net long position of 79,287 contracts.

PLATINUM

Not surprisingly the PGM complex is being pulled higher by very strong leadership from gold. However, we suspect that the gains in the PGM complex will be less impressive because they haven't been seen as a definitive safe haven instrument of late and they might also be held back slightly if a risk-off vibe settles into the US equity market in the face of the impending geopolitical threats of the Trump Presidency and the latest flap from the BREXIT. Near term resistance and a critical pivot point in April platinum is seen up at \$1,000 and support in the market moves up to \$986. Similar near term resistance in March palladium is seen up at \$760 put palladium is clearly set to lag behind platinum on rallies and lead platinum on declines. The Commitments of Traders Futures and Options report as of January 10th for Platinum showed Non-Commercial and Non-reportable combined

traders held a net long position of 34,791 contracts. The Commitments of Traders Futures and Options report as of January 10th for Palladium showed Non-Commercial and Non-reportable combined traders held a net long position of 17,283 contracts.

TODAY'S MARKET IDEAS:

None.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COPPER COMMENTARY

01/17/17

The bear camp starts the week with an edge

GENERAL: The copper market is in the midst of a rather volatile condition with last week's sharp gains nearly erased with a sharp washout in the early going today. While LME copper stocks declined overnight a risk-off vibe in western equities and suggestions from the Chinese President that stimulus efforts haven't boosted the global economy as much as was hoped has temporarily undermined copper demand expectations. It goes without saying that renewed fears of a hard exit by Britain, is adding into the negative track in copper to start the holiday shortened week. A slight increase in quarterly Rio Tinto production combined with a reversal in technical measures on the charts has also prompted a wave of long profit taking and perhaps it has even sparked a wave of fresh short selling. The Commitments of Traders Futures and Options report as of January 10th for Copper showed the Non-Commercial and Non-reportable combined traders held a net long position of 49,918 contracts.



MARKET IDEAS:

The path of least resistance is down to start as a risk-off vibe is present and the markets are discouraged by less than up-beat comments from the Chinese President and the markets are also fearful of negative ramifications off the threat of fresh hard exit calls from the British Prime Minister in a speech later this morning. Near term downside targeting in the March copper contract is seen at the \$2.60 level and perhaps not until the \$2.5970 level. To turn the tide away from the bear camp early today might require a rally back above \$2.6420.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

| Commitment of Traders - Futures and Options - 1/3/2017 - 1/10/2017 | | | | | | |
|--|----------------|-------------------|--------------|-------------------|--------------|-------------------|
| | Non-Commercial | | | Commercial | | Non-Reportable |
| | Net Position | Weekly Net Change | Net Position | Weekly Net Change | Net Position | Weekly Net Change |
| Metals | | | | | | |
| Copper | 47,633 | +3,259 | -49,918 | -3,161 | 2,285 | -97 |
| Gold | 106,526 | +16,408 | -123,151 | -10,946 | 16,625 | -5,462 |
| Palladium | 16,258 | +1,780 | -17,283 | -1,781 | 1,025 | +1 |
| Platinum | 30,152 | +5,665 | -34,790 | -6,225 | 4,639 | +562 |
| Silver | 64,273 | +3,188 | -79,287 | -2,998 | 15,014 | -191 |

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) 01/17/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The close above the 9-day moving average is a positive short-term indicator for trend. The market tilt is slightly negative with the close under the pivot. The next upside target is 1210.5. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 1204.9 and 1210.5, while 1st support hits today at 1190.7 and below there at 1182.0.

COMEX SILVER (MAR) 01/17/2017: Rising stochastics at overbought levels warrant some caution for bulls. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market tilt is slightly negative with the close under the pivot. The next upside target is 17.023. The next area of resistance is around 16.947 and 17.023, while 1st support hits today at 16.703 and below there at 16.534.

COMEX PLATINUM (JAN) 01/17/2017: 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 market has a slightly positive tilt with the close over the swing pivot. The next upside objective is 989.12. The next area of resistance is around 987.15 and 989.12, while 1st support hits today at 982.25 and below there at 979.33.

COMEX COPPER (MAR) 01/17/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's short-term trend is positive on the close above the 9-day moving average. The market has a slightly positive tilt with the close over the swing pivot. The next upside objective is 2.73. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 2.72 and 2.73, while 1st support hits today at 2.67 and below there at 2.63.

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 | 1197.8 | 70.70 | 61.62 | 86.26 | 89.77 | 1194.93 | 1182.96 | 1161.66 | 1180.31 | 1205.96 |
| SIAH7 | 16.825 | 61.74 | 55.04 | 74.73 | 82.54 | 16.83 | 16.68 | 16.34 | 16.71 | 17.05 |
| PLAF7 | 984.70 | 69.38 | 63.02 | 87.69 | 92.51 | 978.48 | 968.18 | 937.39 | 935.92 | 945.48 |
| CPAH7 | 2.69 | 76.19 | 69.11 | 72.30 | 88.97 | 2.65 | 2.58 | 2.54 | 2.57 | 2.48 |

Calculations based on previous session. Data collected 01/13/2017

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 | 1181.9 | 1190.6 | 1196.2 | 1204.9 | 1210.5 |
| SIAH7 | COMEX Silver | 16.533 | 16.702 | 16.778 | 16.947 | 17.023 |
| PLAF7 | COMEX Platinum | 979.32 | 982.25 | 984.22 | 987.15 | 989.12 |
| CPAH7 | COMEX Copper | 2.62 | 2.66 | 2.68 | 2.72 | 2.73 |

Calculations based on previous session. Data collected 01/13/2017

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