



## DAILY METALS COMMENTARY Wednesday January 18, 2017

### PRECIOUS METALS COMMENTARY

01/18/17

#### Rising geopolitical uncertainty extends the bull case today

#### OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

**GOLD** +0.20, **SILVER** -0.30, **PLATINUM** -11.40

**OUTSIDE MARKET DEVELOPMENTS:** Global equity markets saw mixed action again overnight with Asian markets sitting just under 3 month highs. The Asian economic calendar was relatively quiet, while the European session started out with the December German CPI that reached a 3 1/2 year high. UK unemployment was forecast to uptick to a 4.9% rate but held steady. The trade also expected a modest increase in the UK claimant count but instead the claimant count declined by 10,100. The highlight of the European session was the December Euro zone CPI which held steady with November's +1.1% year-over-year rate with a +0.5% gain in December. The North American session will start out with the December consumer price index which is forecast to have a sizable jump from November's +1.7% year-over-year rate. December industrial production is also expected to see notable improvement from November's -0.4% reading and climb into positive territory. The January NAHB housing market index is forecast to hold steady with December's 70 reading. The Bank of Canada will conclude their latest monetary policy meeting with no change expected to either rates or policy. Later in the day, the latest FOMC Beige Book will be released and will be scrutinized for hints on upcoming Fed policy. Minneapolis Fed President Kashkari will speak during morning US trading hours while Fed Chair Yellen will speak during the afternoon. Earnings announcement will include Citigroup, Goldman Sachs and US Bancorp before the Wall Street opening while Netflix and Kinder Morgan report after the close.



#### GOLD / SILVER

The gold and silver markets started the week yesterday with yet another range up extension, but the gains yesterday were the most significant compacted gains seen since September 6th of 2016. In addition to a fresh downside breakout in the Dollar, the gold market also seems to be drafting support this week from rising fears of uncertainty into the US transition of power later this week. It also goes without saying that the gold and silver markets have been garnering buying interest from the resurrection of BREXIT fears, which in turn many think might serve to produce a fresh headwinds to global growth. In a minor supportive development, the trade saw news that Ghana's gold production declined in the 1st 9 months of 2016 but that news was offset by reports that Russian January through October 2016 gold production rose to 244.5 tons from 243.9 tons in the same period in 2015. However, the silver market saw a minor supply negative from news that Hochschild expects to see record silver production in 2017. In retrospect, the gold market is probably not becoming as overbought as one might have feared as 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 only 123,151 contracts and that positioning was probably overstated given the slide into last week's lows.

#### PLATINUM

While the platinum market managed a fresh higher high yesterday and the highest price since November 10th to start the week, the market was unable to hold all of those gains into the close and has opened weaker today and that might hint at a topping condition. We suspect that increased economic uncertainty off BREXIT fears, a risk-off vibe in equities and a reversal in copper casts a negative light on industrial metals and that in turn prompted some longs to bank profits and move to the sidelines. However, the PGM complex should be able to derive some support from ongoing weakness in the Dollar and we suspect that the PGM complex will also see some ongoing spillover support from the gold market. The most recent 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 and that is probably understated given that prices from the report mark-off managed another \$15 an ounce rally into the Tuesday highs. However, with a pattern of lower highs and lower lows the bear camp holds a firm edge in the palladium market.

**TODAY'S MARKET IDEAS:**

The gold market ranged up sharply yesterday and in the process it managed to reach the highest level since November 22nd. However, the gold and silver markets are now overbought, but they could become even more overbought if the Dollar resumes its downward march. In fact we get the impression that the trade is convinced that the Dollar is poised for a freefall and that could result in an April gold extension up to \$1,246 to \$1,261. However, there is an extremely active US economic report slate today and that could in a sense justify the recent slide in the Dollar or it could result in the trade realizing it is getting overly bearish toward conditions in the US. Therefore a major pivot point is possible in the Dollar and therefore in gold today.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**COPPER COMMENTARY**

01/18/17

**A more balanced market should be able to respect \$2.60**

**GENERAL:** The copper market fell sharply yesterday in the wake of mixed to lower global equities but prices also came under pressure from growing concern from various geopolitical threats from inside and outside of the US. While some might point to the BREXIT situation as the primary undermine of copper to start this week, we think that Chinese President's growth forecasts of only 6.7% were equally disappointing to the copper trade especially following expectations late last year that the Chinese economy had turned the corner. Others will suggest that copper was tripped up by concern that the incoming US administration was poised to trip up US growth with problematic policies. It is also possible that copper was short term overbought into the Friday highs especially when one considers the most recent 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. Underpinning copper to start today is strength in Asian equities and news that Barclays raised its 2017 copper price forecast.



**MARKET IDEAS:**

We think that the \$2.60 level will offer up some measure of support off the charts, but we also can't rule out a temporary slide back toward the early January consolidation around \$2.5505 to \$2.5195 but only in the event of aggressive liquidation in global equities. However, we increase the prospect of holding the \$2.60 level this morning because Asian equities reached up near 3 month highs overnight. On the other hand, an avalanche of US scheduled data later this morning might present copper with a moderately significant decision. In conclusion support looks solid and it could take very poor US data to prompt a downside extension back toward the early January price zone.

**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) 01/18/2017: The market now above the 60-day moving average suggests the longer-term trend has turned up. 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. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The next upside target is 1232.8. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 1225.9 and 1232.8, while 1st support hits today at 1205.1 and below there at 1191.1.

COMEX SILVER (MAR) 01/18/2017: The major trend could be turning up with the close back above the 60-day moving average. 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. There could be more upside follow through since the market closed above the 2nd swing resistance. The next upside target is 17.555. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 17.425 and 17.555, while 1st support hits today at 16.985 and below there at 16.675.

COMEX PLATINUM (JAN) 01/18/2017: 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 down and close below the previous day's low is a negative signal. The market is in a bearish position with the close below the 2nd swing support number. The near-term upside target is at 988.75. The next area of resistance is around 980.00 and 988.75, while 1st support hits today at 970.80 and below there at 970.35.

COMEX COPPER (MAR) 01/18/2017: Momentum studies are trending higher but have entered overbought levels. The market's short-term trend is positive on the close above the 9-day moving average. The market setup is somewhat negative with the close under the 1st swing support. The next upside target is 2.74. The next area of resistance is around 2.67 and 2.74, while 1st support hits today at 2.57 and below there at 2.54.

## 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
<b>METALS COMPLEX</b>										
GCAG7	1215.5	76.82	67.25	87.90	91.67	1202.03	1188.72	1165.62	1178.90	1204.96
SIAH7	17.205	70.41	61.53	78.47	87.00	16.91	16.76	16.40	16.68	17.04
PLAF7	975.40	66.60	61.58	89.06	91.81	978.65	972.60	940.82	935.38	946.08
CPAH7	2.62	57.74	57.45	73.30	77.65	2.65	2.60	2.55	2.57	2.49

Calculations based on previous session. Data collected 01/17/2017

Data sources can & do produce bad ticks. Verify before use.

## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>METALS COMPLEX</b>						
GCAG7	COMEX Gold	1191.0	1205.0	1211.9	1225.9	1232.8
SIAH7	COMEX Silver	16.675	16.985	17.115	17.425	17.555
PLAF7	COMEX Platinum	970.35	970.80	979.55	980.00	988.75
CPAH7	COMEX Copper	2.53	2.56	2.64	2.67	2.74

Calculations based on previous session. Data collected 01/17/2017

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