



DAILY METALS COMMENTARY Friday January 20, 2017

PRECIOUS METALS COMMENTARY

01/20/17

The charts lean bearish and the Dollar action leans bearish

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD -1.10, SILVER -9.20, PLATINUM +2.90

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were mostly lower with Asian shares managing to carve out minimal gains in the wake of a somewhat positive Chinese GDP result. Countervailing the partially positive Chinese growth news is evidence of a 1.9% decline in UK December retail sales readings. The North American session will start out with December Canadian CPI that is forecast to see a sizable uptick from November's +1.2% year-over-year rate. November Canadian retail sales are expected to downtick from October's +1.1% reading. At Noon EST (5 PM GMT), Donald Trump will be sworn in as the 45th President of the United States followed by an inauguration speech that will be widely scrutinized for clues on the new administration's upcoming policies. Fed speakers will include Philadelphia Fed President Harker during morning US trading hours while San Francisco Fed President Williams will speak during the afternoon. Earnings announcement will include General Electric, Proctor & Gamble and Schlumberger before the Wall Street opening.



GOLD / SILVER

For most of the last month, persistent weakness in the US dollar has provided the main lift for gold and silver prices. However, the prior two trading sessions have brought forth much better-than-expected US schedule data flow and that in turn has definitively improved the outlook for the dollar. In fact, with the gold and silver trade moderately overbought into this week's highs and the magnitude of the reversal from those highs difficult to ignore, it would not be surprising to see precious metals finish the trading week under pressure. Adding into the potential liquidation threat in gold and silver going forward is hawkish comments from the Federal Reserve Chair in the wake of this week's strong data showing. In retrospect, seeing four second-tier US data points come in "strong" this week would seem to point to a developing trend of better growth and that in turn tamps down economic uncertainty and it might also serve to prompt long profit-taking on the rather stellar month long gains in gold and silver. With the dollar temporarily climbing back above its 50 day moving average yesterday and February gold showing signs of falling down to its 50 day moving average, one should be aware of the potential for big volatility today. However the US economic report slate is nearly empty today and the focus of the trade will probably be a series of Fed speeches.

PLATINUM

Like the gold and silver markets, the PGM complex yesterday failed on its charts and reached down to the lowest level since January 5th. We suspect that spillover selling pressure from gold and concern of a strengthening dollar has set the stage for a poor finish to this week's trade. While there was a minor supply disruption at a South African Impala mine that idled one mining shaft, prices probably won't draft any lasting support from that one off development. In addition to knock on pressure from a rising dollar we suspect that escalating US rate hike fears might serve to discourage would-be buyers of physical commodities like PGM's. The 50 day moving average in April platinum is seen down at \$944.50 while the 50 day moving average in March palladium is seen all the way down at \$649.58. Pushed into the market today, we would be a seller of rallies.

TODAY'S MARKET IDEAS:

The big question for the gold trade at the end of this trading week is whether prices are beginning a noted washout, or if close in uptrend channel support lines will hold up. Unfortunately, it would appear as if the dollar has found a new pattern of strength off its data and that prospect has been given further credence by the

emergence of somewhat hawkish US Fed dialogue. In short, gold is facing negative outside market forces at the same time the charts appear to be breaking down. A logical downside target in February gold directly ahead is the 50 day moving average down at \$1,183.80. Unfortunately for the bull camp in silver, the March contract in the prior trading session fell below its 50 day moving average but it managed to reject that slide and recover. However, renewed weakness in silver this morning looks to re-target the 50 day moving average which comes in down at \$16.75 today.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COPPER COMMENTARY

01/20/17

We lean bearish as Chinese growth was not a positive surprise

GENERAL: The March copper contract today forged a range down extension and the lowest price since January 10th yesterday in a move that applied fresh damage to the charts. While the market at times clawed its way back into positive territory, the majority of the trade Thursday was spent in negative ground. Given the much better-than-expected sweep of US economic data, the action in copper yesterday has to be extremely disappointing to the bull camp. In fact, given news of a 6.8% Chinese GDP result overnight we are a little surprised to see copper tracking in negative territory and that might suggest that Chinese growth expectations in copper were set at a higher level. However, even more discouraging for the bull camp is the fact that copper failed to benefit from news this week that Chinese refined copper import volumes jumped by nearly 50% in November 2016 from a year earlier. In the end, the bull camp should be disheartened by the lack of positive reaction to strong US data this week but solid data probably increases the market's capacity to extend the consolidation support pattern around the \$2.60 level. Overnight both LME and Shanghai copper stocks both rose and that might add a minor amount of fresh selling pressure to copper to end the trading week.



MARKET IDEAS:

On one hand, there appears to be an improving pattern of US data which might be capable of supporting copper prices. However the copper market remains concerned about US/Chinese trade relations, the prospect of a strengthening dollar and deteriorating charts. The 50 day moving average in March copper today comes in down at \$2.5680 and it could take a close today back above \$2.63 to effectively shut off the downward bias. In conclusion, we can't argue against some developing weakness but data from the US and China should rule out a deep slide in prices ahead.

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) 01/20/2017: A crossover down in the daily stochastics is a bearish signal. Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. It is a slightly negative

indicator that the close was under the swing pivot. The next downside objective is now at 1191.8. The next area of resistance is around 1210.1 and 1213.7, while 1st support hits today at 1199.1 and below there at 1191.8.

COMEX SILVER (MAR) 01/20/2017: 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 setup is somewhat negative with the close under the 1st swing support. The next upside target is 17.360. The next area of resistance is around 17.215 and 17.360, while 1st support hits today at 16.835 and below there at 16.600.

COMEX PLATINUM (APR) 01/20/2017: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. A negative signal for trend short-term was given on a close under the 9-bar moving average. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is 941.68. Daily studies pointing down suggests selling minor rallies. The next area of resistance is around 970.75 and 980.27, while 1st support hits today at 951.45 and below there at 941.68.

COMEX COPPER (MAR) 01/20/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's short-term trend is negative as the close remains below the 9-day moving average. The daily closing price reversal down puts the market on the defensive. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 2.56. The next area of resistance is around 2.63 and 2.66, while 1st support hits today at 2.59 and below there at 2.56.

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	1204.6	66.57	61.30	88.36	87.76	1206.45	1196.22	1173.80	1177.06	1202.81
SIAH7	17.025	59.50	56.02	82.45	84.22	17.05	16.88	16.52	16.63	17.02
PLAJ7	961.10	50.60	52.72	83.07	77.12	975.60	977.72	949.28	938.71	950.50
CPAH7	2.61	55.04	55.71	70.75	66.57	2.64	2.61	2.56	2.58	2.50

Calculations based on previous session. Data collected 01/19/2017

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	1191.7	1199.1	1202.7	1210.1	1213.7
SIAH7	COMEX Silver	16.600	16.835	16.980	17.215	17.360
PLAJ7	COMEX Platinum	941.67	951.45	960.97	970.75	980.27
CPAH7	COMEX Copper	2.55	2.58	2.60	2.63	2.66

Calculations based on previous session. Data collected 01/19/2017

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