



## DAILY METALS COMMENTARY Monday January 23, 2017

### PRECIOUS METALS COMMENTARY

01/23/17

**The bias is up off unfolding Dollar weakness**

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

**GOLD +8.10, SILVER +14.30, PLATINUM +8.70**

**OUTSIDE MARKET DEVELOPMENTS:** Global equity markets were weaker with Shanghai markets and the Hang Seng bucking the trend. The Asian economic calendar started with the latest reading on the Japanese all-industry activity index which came in at a +0.3% reading which was better than the prior month but less than expectations. Japan also saw leading economic Indicators which improved minimally relative to the prior month. The North American session will be relatively quiet and will be highlighted by November Canadian wholesale sales that are expected to downtick from October's +1.1% monthly gain but remain in positive territory. Earnings announcement will include McDonalds and Halliburton before the Wall Street opening while Yahoo! reports after the close.



### GOLD / SILVER

Besides a loss of upside momentum in gold and silver at the end of last week the bull camp in gold and silver has to be emboldened by the fact that the greenback was unable to rally and hold gains in the wake of patently positive US economic data throughout last week. In fact, the Dollar has actually failed on its charts despite patently supportive data and periodic hawkish statements from the US Fed. Furthermore with the rejection of the washout last Thursday in gold and the February contract clawing out a fresh upside breakout this morning the bull camp looks to start the week in control. Gold did see derivative holdings increase at the end of last week but until there is a definitive pattern of inflows the investment angle in gold probably gives way to a currency related focus. The world's largest gold ETF saw their holding rise by 1.19 tonnes on Friday, and have not seen a decline in their gold holdings since January 6th but that news was probably offset by news that a Russian miner saw its 2016 production rise by 12% over the prior year. With the correction last week we would suggest that gold and silver balanced their technical conditions and that could facilitate a resumption of the upside this week. In fact, the Commitments of Traders Futures and Options report as of January 17th for Gold showed the Non-Commercial and Non-reportable combined traders held a net long position of only 122,500 contracts and that reading is close to the lowest levels in nearly 3 quarters! In looking ahead, the most dominating influence on gold and silver this week is likely to be the action in the Dollar but today the trade will be without US scheduled data of note. Uptrend channel support in February gold to start this week is seen down at \$1,191 and the top of the channel is seen up at \$1,230.80. Silver should gather some support from news that Chinese December silver imports increased by 8%. The Commitments of Traders Futures and Options report as of January 17th for Silver showed the Non-Commercial and Non-reportable combined traders held a net long position of 81,613 contracts but we wouldn't characterize the long in silver to be mostly leveled until the net spec and fund long dips below 74,000 contracts. Uptrend channel support in the March silver contract is seen down at \$16.89.

### PLATINUM

The platinum market finished last week on a positive note and with the high overnight sitting within \$20 of the highest level in nearly 3 months the bull camp looks to have an edge. Over the weekend, the market saw a story from Lonmin suggesting that the industry needed higher prices in order to survive but the trade might be a little disappointed in the news that Chinese platinum imports in December declined by 13% and year to date they were down nearly 15%. While Chinese palladium imports were up nearly 100% in December with the brunt of the imports coming from Russia and Switzerland the overall level of palladium imports was less than 1/3rd the total importation of platinum into China. While nearby platinum prices sit \$173 above the early 2016 lows, they also

remain within 15% of the lowest levels since 2004 and that might make them cheap historically. From a technical perspective, the platinum market is balanced with respect to the latest commitments of traders positioning report. The Commitments of Traders Futures and Options report as of January 17th for Platinum showed the Non-Commercial and Non-reportable combined traders held a net long position of 37,250 contracts. While the platinum market might be considered relatively cheaper than the palladium market, it currently sits 71% above the January 2016 lows and the March contract is up \$150 over the last month. While the most recent commitments of traders report for palladium show the net long to only be 17,364, the record spec and fund long is only 30,000 contracts and from the latest mark off, March palladium to the high Friday was up another \$47 per ounce. Therefore, palladium clearly has a bullish chart formation but clearly it is much closer to being overbought than platinum.

**TODAY'S MARKET IDEAS:**

It is possible that the corrective action at the end of last week has brought some technical balance to gold and silver, and that has set the stage for a resumption of the uptrend this week. However, the direction of the dollar will continue to be critical and the downside breakout in the Dollar this morning should set the February gold contract up for a near term rise above \$1,225. Uptrend channel support in February gold to start this week is seen down at \$1,191 but the top of the channel is seen up at \$1,230.80. Uptrend channel support in the March silver contract is seen down at \$16.89.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**COPPER COMMENTARY**

01/23/17

**The bulls regain control mostly off a weaker Dollar**

**GENERAL:** The copper market waffled around both sides of unchanged last Friday but the action ultimately generally favored the upward tilt. With a noted range up extension to start today and the prior 3 days highs taken out early on the path of least resistance looks to be up to start the new trading week. The trade should derive some benefit from a favorable 2017 copper price forecast from KGHM at the end of last week, and it is also likely that copper saw infrastructure spending promises from the incoming president as a positive reinforcement of the last month's bull trend. The Commitments of Traders Futures and Options report as of January 17th for Copper showed the Non-Commercial and Non-reportable combined traders held a net long position of 49,030 contracts and we think a net spec and fund long around 55,000 should be considered overbought. The record spec and fund long is 61,109 contracts from October of 2003!



**MARKET IDEAS:**

Fortunately for the bull camp, March copper from last week's highs showed a correction of 13 cents and that should level the short-term technical condition somewhat and help to facilitate some additional gains this week. We continue to see the \$2.60 level as a solid consolidation support zone and those that buy copper on a dip might have to risk those positions to \$2.5510.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

Commitment of Traders - Futures and Options - 1/10/2017 - 1/17/2017						
Non-Commercial		Commercial		Non-Reportable		
Net Position	Weekly	Net Position	Weekly	Net Position	Weekly	

		Net Change		Net Change		Net Change
<b>Metals</b>						
<b>Copper</b>	46,335	-1,298	-49,029	+889	2,695	+410
<b>Gold</b>	106,881	+355	-122,500	+651	15,619	-1,006
<b>Palladium</b>	16,360	+102	-17,363	-80	1,004	-21
<b>Platinum</b>	32,890	+2,738	-37,250	-2,460	4,360	-279
<b>Silver</b>	68,768	+4,495	-81,614	-2,327	12,845	-2,169

## 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) 01/23/2017: The cross over and close above the 60-day moving average indicates the longer-term trend has turned up. Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The market's short-term trend is positive on the close above the 9-day moving average. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside objective is now at 1190.4. The next area of resistance is around 1215.7 and 1223.5, while 1st support hits today at 1199.1 and below there at 1190.4.

COMEX SILVER (MAR) 01/23/2017: The major trend could be turning up with the close back above the 60-day moving average. The daily stochastics have crossed over down which is a bearish indication. Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is 16.702. The next area of resistance is around 17.272 and 17.411, while 1st support hits today at 16.918 and below there at 16.702.

COMEX PLATINUM (APR) 01/23/2017: 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. 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 downside target is 947.75. The next area of resistance is around 994.99 and 1003.35, while 1st support hits today at 967.20 and below there at 947.75.

COMEX COPPER (MAR) 01/23/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The close over the pivot swing is a somewhat positive setup. The next downside target is 2.56. The next area of resistance is around 2.64 and 2.67, 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
<b>METALS COMPLEX</b>										
GCAG7	1207.4	66.77	61.78	87.17	85.69	1208.48	1199.66	1177.89	1176.62	1201.76
SIAH7	17.095	60.35	56.56	82.31	82.04	17.11	16.93	16.58	16.64	17.01
PLAJ7	981.10	58.24	57.15	80.43	76.19	971.85	977.81	952.75	939.47	950.97
CPAH7	2.61	57.91	57.49	68.91	65.24	2.62	2.62	2.57	2.58	2.51

Calculations based on previous session. Data collected 01/20/2017

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	1190.3	1199.1	1206.9	1215.7	1223.5
SIAH7	COMEX Silver	16.701	16.917	17.056	17.272	17.411
PLAJ7	COMEX Platinum	947.74	967.19	975.55	994.99	1003.35
CPAH7	COMEX Copper	2.56	2.59	2.61	2.64	2.67

**Calculations based on previous session. Data collected 01/20/2017**

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

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