



DAILY METALS COMMENTARY Tuesday January 24, 2017

PRECIOUS METALS COMMENTARY

01/24/17

A temporary back and fill as gold is hostage to the Dollar

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD -2.40, **SILVER** -4.60, **PLATINUM** +6.80

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were higher across the board in a move that was largely characterized as a relief bounce following political news from the prior trading session. The Asian economic calendar presented January "flash" Japanese manufacturing PMI which showed the fastest expansion in nearly three years. The European session started out with "flash" PMI readings from around Europe and Germany with the Euro numbers a bit disappointing and the German numbers very positive. In fact the German manufacturing PMI results were the strongest in 3 years and that should countervail a large portion of the disappointment from the broader union data. December UK public sector net borrowing gained more than was expected and the borrowing also posted a gain over year ago readings. The North American session will start out with a private survey of weekly same-store sales, followed by the January Markit "flash" manufacturing PMI reading that is expected to see a modest uptick from December's 54.3 reading. December existing home sales are forecast to see a moderate downtick from November's 5.61 million annualized rate, while the Richmond Fed manufacturing index will also be released. Earnings announcement will include Johnson & Johnson, Alibaba, Verizon, 3M and DuPont before the Wall Street opening while Texas Instruments and Canadian National Railway report after the close.



GOLD / SILVER

The February gold contract yesterday took out the prior two sessions' highs and reached up to the highest level since November 23rd but the market is showing some modest corrective action to start today off the bounce in the Dollar. It goes without saying that the brunt of the buying interest in gold Monday was probably the result of the fresh downside break out in the dollar and therefore it is not surprising to see some back and fill action in gold this morning. In the coming trading sessions, the parity level in the dollar Index could be seen as very important juncture for gold and silver but it possible that the trade will show some reaction to fresh demand stories from China and India. Unfortunately for the bull camp the trade saw concerns of soft Indian gold demand continuing because of government policies but that news was countervailed by suggestions that Chinese gold demand might improve as investors shift their interest toward gold and away from relatively more expensive Palladium and platinum (relative to the last 3 months action). The world's largest gold ETF saw their gold holdings fall by 2.08 tonnes on Monday and reached their lowest level since January 12th. Given the flow of fundamental and technical news, the path of least resistance looks to remain up in gold and silver despite some modest back and fill chop today.

PLATINUM

As mentioned in the Monday coverage, December Chinese import data for palladium was positive while the import data for platinum was slightly bearish. Traders should note that the brunt of Chinese PGM imports came from Switzerland and Russia which could mean supply previously available to the rest of the world might not be available in the future. As mentioned in gold coverage today it would appear that PGM's might be set to lose some investment interest to gold off what is seen as a relatively more expensive price of PGMs. Fortunately for the bull camp the markets also saw indications that Chinese auto production would rise and that should provide some offset to the threat of lower investment demand from China. Both platinum and palladium derivative holdings have flat lined over the last week in a situation that might signal a trend decision ahead. However, limiting the upside in industrial metals going forward are lingering US trade concerns and the prospect for slack

US existing home sales data later today. Uptrend channel support today in the April platinum contract is seen at \$964. Uptrend channel support in March palladium today is seen at \$763 and the path of least resistance on the charts clearly favors the bull camp.

TODAY'S MARKET IDEAS:

In conclusion, there would seem to be no reason to take control away from the bull camp yet with the next upside targeting potential in February gold seen at \$1,225 and perhaps not until the \$1,234 level. Uptrend channel support in the February gold contract is seen at \$1,206.80 today. In order to turn the tide down in the February gold contract probably requires a trade back below \$1,195.40. Uptrend channel support in the March silver contract today comes in at \$16.96. There might be little in the way of resistance in the March silver contract until the \$17.36 area.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COPPER COMMENTARY

01/24/17

The bulls retain control off risk-on and positive global data

GENERAL: The copper market forged an impressive range-up extension and spent most of Monday's trading session in positive territory and it managed that despite developing and noted weakness in equities and in the face of news from the International Copper study Group (ICSG) predicting the copper market saw a 48,000 ton global surplus in October of 2016. The October ICSG surplus came on the heels of an 18,000 ton deficit in the month of September and that leaves the first 10 months of 2016 with a 64,000 ton deficit. Another issue that failed to limit copper prices yesterday were forecasts from Chile's Cochillo that their country would see a 4.3% increase in 2017 copper production versus 2016. Tempering the negative influence of the Chilean production forecast was a price projection from Chile's Cochillo that was revised upward by 20 cents a pound from their prior targeting. While LME copper stocks declined overnight and have generally maintained a pattern of declines of late the market isn't exactly focused on that information. We do think that copper is seeing some positive traction from favorable Japanese and German manufacturing PMI data and we also think that copper is deriving a minimal benefit from increased UK borrowing and from the general risk-on vibe being thrown off by global equities.



MARKET IDEAS:

One can hardly argue with the fourth day in a row of higher highs in March copper. We continue to think the \$2.60 level is a very solid value zone on the charts. However we are a little suspicious of prices up near \$2.70 unless a consistent "risk on" vibe surfaces, the dollar falls below parity and or there is some reason to upgrade Chinese copper demand views.

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) 01/24/2017: The daily stochastics gave a bullish indicator with a crossover 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. Market positioning is positive with the close over the 1st swing resistance. The near-term upside objective is at 1225.3. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 1220.9 and 1225.3, while 1st support hits today at 1210.5 and below there at 1204.6.

COMEX SILVER (MAR) 01/24/2017: The daily stochastics gave a bullish indicator with a crossover up. Momentum studies are trending higher but have entered overbought levels. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 17.402. The next area of resistance is around 17.310 and 17.402, while 1st support hits today at 17.100 and below there at 16.983.

COMEX PLATINUM (APR) 01/24/2017: Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The market's close above the 9-day moving average suggests the short-term trend remains positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is now at 971.28. The next area of resistance is around 989.15 and 994.67, while 1st support hits today at 977.45 and below there at 971.28.

COMEX COPPER (MAR) 01/24/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close above the 9-day moving average is a positive short-term indicator for trend. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is 2.59. The next area of resistance is around 2.67 and 2.69, while 1st support hits today at 2.62 and below there at 2.59.

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	1215.7	70.93	64.80	87.18	87.95	1208.55	1202.80	1182.31	1176.30	1200.70
SIAH7	17.205	64.64	59.36	82.85	83.94	17.12	16.99	16.66	16.64	17.00
PLAJ7	983.30	60.00	58.26	79.57	77.83	971.05	977.51	957.47	940.41	951.15
CPAH7	2.64	62.14	60.18	68.43	67.47	2.62	2.63	2.58	2.58	2.52

Calculations based on previous session. Data collected 01/23/2017

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	1204.5	1210.5	1214.9	1220.9	1225.3
SIAH7	COMEX Silver	16.982	17.100	17.192	17.310	17.402
PLAJ7	COMEX Platinum	971.27	977.45	982.97	989.15	994.67
CPAH7	COMEX Copper	2.58	2.61	2.64	2.67	2.69

Calculations based on previous session. Data collected 01/23/2017

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