



## DAILY METALS COMMENTARY

Friday January 27, 2017

### PRECIOUS METALS COMMENTARY

01/27/17

**The bear camp retains control more losses expected ahead**

#### OVERNIGHT CHANGES THROUGH 3:15 AM (CT):

**GOLD -6.90, SILVER -12.00, PLATINUM -8.00**

**OUTSIDE MARKET DEVELOPMENTS:** Global equity markets were mixed overnight with Asian/Pacific markets higher and the rest of the world weaker. The Asian session was relatively quiet as the Lunar New Year holiday started, and Japanese inflation readings contracted by slightly less than was anticipated. The European session was high-lighted by January French consumer confidence that reached up to the highest level in 3 years and that would seem to point to a recovering in the Euro zone. In other words France has clearly lagged behind Germany and now even France is showing forward motion. The North American session will start out with a preliminary reading on fourth quarter gross domestic product that is expected to come in around a 2.2% annualized rate, which compares to 3.5% during the third quarter. December durable goods are forecast to see a sizable improvement from November's -4.5% reading and climb up into positive territory. A private survey of January US consumer sentiment is expected to hold steady with the previous 98.2 reading. Earnings announcements will include Chevron, AbbVie, Honeywell and Colgate-Palmolive before the Wall Street opening.



#### GOLD / SILVER

The action in gold and silver this week has to be extremely discouraging to the bull camp as initial weakness in the dollar has failed to cushion gold and silver prices and the markets also suffered very significant damage on their charts. Furthermore, with a reversal and recovery in the dollar from Thursday, extending this morning that should leave gold and silver under a negative currency market environment. Just to highlight the lack of bullish sensitivity this week the gold market has been unable to recover in the face of rising political tensions between the US and Mexico and also in the face of rising fears of other trade wars. Even more concerning to the metals bulls, is the fact that the Dollar is strengthening in the face of patently undermining US schedule data. It should also be noted that short-term technical indicators remain in a sell mode and the February gold contract has a very critical pivot point at \$1,183.50 today. Another issue that will weigh on gold prices going forward is news from Russia's POLYMETAL that their fourth-quarter gold production rose 30% over last year. That same Russian miner indicated that their fourth-quarter silver output was down 3%, but that isn't significant in the silver market. While the path of least resistance looks to remain down in the silver market, traders need to keep an eye on the prospect of a full-blown trade embargo with Mexico as they are a significant silver producer. With the dollar showing signs of strengthening, today's US schedule data on durable goods and the advance GDP could have significant influence on the direction of the dollar today and that in turn could in turn prompt significant volatility in gold and silver prices. All things considered, we lean bearish toward prices.

#### PLATINUM

Like gold and silver, the PGM complex remains under pressure in the wake of the overbought status from the beginning of the week and because of a failure to embrace recent supply-side threats. News of possible layoffs at a South African mining facility could eventually spark future labor issues but in the short term that issue is unlikely to impact prices. However, the PGM complex this week has seen news of lower production from Lonmin but it has also seen higher 2016 production news from Anglo-American. After seeing significant gains in the shares of a couple South African mining giants earlier this week sentiment shifted 180 degrees yesterday as South African platinum producer (Lonmin) shares fell sharply. In short the investment outlook for the PGM complex has gone from positive to negative. Short-term technical measures remain in "sell mode" and there might be little in the way of support in March Palladium until the \$707.60 area. On the other hand, it would appear that platinum remains

less vulnerable than the palladium market and near term declines might be limited to the \$968 level.

**TODAY'S MARKET IDEAS:**

Without much weaker than expected US scheduled data today and a significant washout in the US dollar, it is difficult to take control away from the bear camp in gold and silver. Certainly an all-out breakdown of US/Mexican relations and or rising prospects of other trade battels surfacing could be needed just to arrest the current slide in prices. In fact, the breakdown below very critical uptrend channel support lines would seem to project a coming slide below golds' 50-day moving average at \$1,178.50. Similar downside extension targeting in March silver is seen at its 50 day moving average of \$16.648. However, the silver market may not be as vulnerable as the gold market but short-term technical indicators in silver are also in a sell mode.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

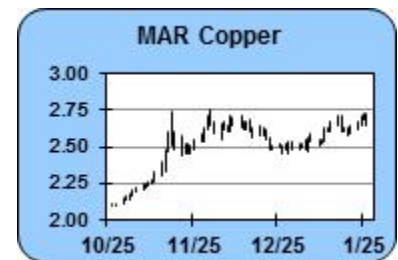
**COPPER COMMENTARY**

01/27/17

**More corrective action today unless US data is positive**

**GENERAL:** While the copper market yesterday showed early strength the market reversed course and failed rather significantly. Technical traders will suggest the market left behind a double top while fundamental traders might suggest the inability to sustain higher prices (in the wake of Indonesian and Chilean supply threats) is very bearish from a fundamental perspective. It is likely that the Chinese lunar New Year holidays, renewed strength in the dollar and less risk-on psychology has set the stage for a normal corrective slide ahead.

The weekly Shanghai copper stocks reading came out a day early due to the holiday and it posted a sizable weekly gain of 39,946 tonnes. This was the largest single week gain since March and lifted Shanghai exchange stocks to their highest level since late May. The rise in Shanghai weekly copper stocks might have been partially offset by a rather noted slide of 5,100 tons in daily LME copper stocks this morning. Other reasons for a possible downside extension of the washout Thursday is patently weak US new home sales and a larger than expected rise in initial unemployment claims data yesterday. In retrospect, US data at the end of the week appears to be trending softer at the same time that the US dollar is mounting what appears to be a recovery. Therefore an extremely active US economic report slate today might provide fuel for a slide all the way back to the mid-January lows around \$2.5815. In fact, copper prices yesterday failed to find support off news of a temporary closing of some Chilean copper mining facilities.



**MARKET IDEAS:**

As we indicated earlier this week, it was time for longs to either bank profits or tighten-up profit stops. We also suggested that traders should avoid short futures and instead employ long put strategies because of near term volatility prospects. While we don't buy into the argument of softer demand because of the Chinese holidays, we can't argue against the negative influence of a stronger dollar and a developing pattern of weak US data. It also goes without saying that a technical breakdown on the charts might result in a near term slide back below \$2.60.

**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) 01/27/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is now at 1172.1. The next area of resistance is around 1196.9 and 1208.8, while 1st support hits today at 1178.6 and below there at 1172.1.

COMEX SILVER (MAR) 01/27/2017: The major trend has turned down with the cross over back below the 60-day moving average. 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 close under the 18-day moving average indicates the intermediate-term trend could be turning down. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is now at 16.453. Bearish daily studies indicate selling minor rallies this session. The next area of resistance is around 16.965 and 17.192, while 1st support hits today at 16.595 and below there at 16.453.

COMEX PLATINUM (APR) 01/27/2017: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is now at 958.58. The next area of resistance is around 989.45 and 1000.77, while 1st support hits today at 968.35 and below there at 958.58.

COMEX COPPER (MAR) 01/27/2017: 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 swing indicator gave a moderately negative reading with the close below the 1st support number. The near-term upside target is at 2.75. The next area of resistance is around 2.70 and 2.75, while 1st support hits today at 2.63 and below there at 2.60.

## 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	1187.8	46.42	49.64	78.84	67.27	1203.00	1204.40	1191.12	1174.93	1196.90
SIAH7	16.780	49.23	50.83	78.09	70.93	17.05	17.05	16.82	16.64	16.96
PLAJ7	978.90	55.37	55.85	76.85	70.98	987.78	980.54	971.95	943.70	951.97
CPAH7	2.66	60.40	59.97	76.02	78.67	2.68	2.66	2.61	2.60	2.55

Calculations based on previous session. Data collected 01/26/2017

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	1172.0	1178.5	1190.4	1196.9	1208.8
SIAH7	COMEX Silver	16.452	16.595	16.822	16.965	17.192
PLAJ7	COMEX Platinum	958.57	968.35	979.67	989.45	1000.77
CPAH7	COMEX Copper	2.59	2.62	2.67	2.70	2.75

Calculations based on previous session. Data collected 01/26/2017

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