



## DAILY METALS COMMENTARY Monday January 30, 2017

### PRECIOUS METALS COMMENTARY

01/30/17

**The path of least resistance remains down to start this week**

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

**GOLD +1.80, SILVER -2.10, PLATINUM -0.40**

**OUTSIDE MARKET DEVELOPMENTS:** Global markets were weaker overnight with some markets closed for holiday in Asia. The Asian session was relatively quiet due to Lunar New Year holidays across the region, but the markets did see December Japanese retail trade decline by 1.7% in a reading that was below most expectations. The European session started out with the January Swiss KOF leading indicator which rose slightly and that was followed by a series of Euro zone sentiment numbers that were mixed. The headline Euro zone consumer confidence reading improved from the prior month but remained in negative ground. However, the January Euro zone economic confidence reading was the highest in 5 1/2 years. Unfortunately December German CPI posted a decline of 0.8% and that was reading was well below expectations and that suggests Germany might not be set to leave negative rates quickly. The North American session will start out with December personal income which is forecast to see notable improvement from November's unchanged reading. December pending home sales reading is expected to see strong improvement from their November reading and climb into positive territory. The January Dallas Fed manufacturing business index is forecast to see a modest downtick from December's 15.5 reading.



#### GOLD / SILVER

Despite the adverse dollar action on Friday, both gold and silver were able to throw off the early weakness and return to nearly unchanged and/or positive territory. The sharp rally in silver might have been attributable to the fear of a trade embargo against Mexico, but the rally was clearly out of context with the rest of the metals complex. We are a little skeptical that a Mexican trade war would result in tightness in US silver needs, as major silver miners in Mexico also have mines in the US. Silver imports into the US from Mexico on an annual basis are roughly 837,000 ounces compared to a total physical demand of 1,170,000,000 ounces in the US. While gold and silver didn't seem to get much in a way of safe haven interest last week from that story, that issue could become more prevalent this week in the wake of news that the US implemented extreme vetting of travelers from specific high-risk countries as that could serve to increase global tensions and possibly increase safe haven interest for gold and silver. Fortunately for the bull camp the Commitments of Traders Futures and Options report as of January 24th for Gold showed a Non-Commercial and Non-reportable combined traders held a net long position of only 123,768 as that is significantly below the level seen at the end of last year. The Commitments of Traders Futures and Options report as of January 24th for Silver showed a Non-Commercial and Non-reportable combined traders held a net long position of 82,734 which compares to the record long of 113,000 in August of last year. On the other hand, silver at its high Friday was sitting 15 cents above the level where the COT report was measured and that should leave that measure understated.

#### PLATINUM

The platinum market remains in stronger technical standing than the palladium market, but the palladium market at the end of last week fell below the 50 day moving average and it also violated that average again overnight and that would seem to leave a critical pivot point in palladium right on the market today at \$729.10. The platinum market remains above its 50 day moving average but platinum might be vulnerable if US/Russian relations were to improve following a phone conversation between the new president and the president of Russia over the weekend. It is possible that the PGM markets are being supported by rumblings of labor problems in South Africa which would explain the relatively better chart structure in platinum. Concern for labor issues remains from layoffs

last week in the form of a sit-in and from indications that some mining companies are reducing other non-compensation benefits. We continue to think the prospect of increased auto catalyst demand into China and India will underpin PGM prices above the December consolidation patterns but periodic pressure can't be ruled out in the face of risk-off waves and adverse Dollar action. Near term consolidation support in April platinum is seen at \$956.10 while consolidation support in March Palladium is seen at the 50 day moving average of \$727.70. The Commitments of Traders Futures and Options report as of January 24th for Platinum showed Non-Commercial and Non-reportable combined traders held a net long position of 40,827 contracts. With a net spec and fund long of roughly 40,000 contracts the platinum market is only moderately overbought and that position might be a slight bit overstated. The Commitments of Traders Futures and Options report as of January 24th for Palladium showed Non-Commercial and Non-reportable combined traders held a net long position of only 18,434 contracts.

#### **TODAY'S MARKET IDEAS:**

While the bull camp should be emboldened by the capacity to reject the 50 day moving average in April gold at the end of last week, we find it difficult to call for an end to the corrective slide in gold in the face of recent strength in the dollar. In fact seeing the Dollar remain positive in the face slackening US economic readings seems to suggest that the Dollar might have found some measure of value on its chart. However, safe haven issues like ongoing fears of a US trade war with multiple countries and the potential for an Arab backlash from US vetting of visitors could result in a backlash that supports gold and perhaps silver. Until April gold can throw off the pattern of lower highs and lower lows, we have to leave the path of least resistance pointing downward. Even short-term technical indicators in gold remain bearish. In order to turn the tide upward February gold might need to close above \$1,193. We can understand the initial fear of disrupted silver exports from Mexico into the US but in the end that impact might be short-term in nature. However, we can't argue against an upside extension to a long-term downtrend channel resistance line up at \$17.384 in silver with that trend line resistance falling down to \$17.354 on Tuesday.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

## **COPPER COMMENTARY**

**01/30/17**

### **Increased geopolitical anxiety & an Asia holiday lean bearish**

**GENERAL:** While the copper market held up fairly well in the face of a large build in Shanghai copper stocks at the end of last week, the trade sees the Chinese holiday as limiting from a demand perspective. While copper might be deriving some support from fears of a trade embargo with Mexico, that impact might be limited because the US only imports 10% of its total copper needs. However, the US does get about 9% of its imports from Mexico. In addition to the overbought situation at last week's highs, the copper market was also confronted with a private survey/forecast predicting a moderate surplus in 2017. In retrospect, part of the declines last Thursday were the result of a large weekly build in Shanghai copper stocks adverse dollar action and trade war fears from Friday should limit the ongoing recovery capacity in copper prices. The Commitments of Traders Futures and Options report as of January 24th for Copper Non-Commercial and Non-reportable combined traders held a net long position of 51,331 contracts. This represents an increase of 2,301 contracts in the net long position held by these traders.



#### **MARKET IDEAS:**

We can't abandon the minimally bullish tilt in the copper market because of favorable charts, but we do sense a deterioration of demand expectations because of deterioration in US economic readings and from the current Chinese holiday. Furthermore, favorable economic readings in the euro zone from last week might have been tempered overnight with the negative inflation readings from Germany and Euro zone Consumer Confidence readings that remain in negative territory. However, the prospect of a disruption of Mexican copper imports into

the US might serve to underpin prices. Uptrend channel support in March copper today is seen at \$2.65, and there might be little in the way of resistance until \$2.738. While we think the path of least resistance is pointing upward, the COT positioning readings are moderately overbought and could easily become record overbought with a return to last week's highs. The record overbought spec and fund positioning in copper is 61,208 contracts.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

Commitment of Traders - Futures and Options - 1/17/2017 - 1/24/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
<b>Metals</b>						
<b>Copper</b>	50,030	+3,695	-51,332	-2,303	1,301	-1,394
<b>Gold</b>	107,324	+443	-123,767	-1,267	16,444	+825
<b>Palladium</b>	17,391	+1,031	-18,434	-1,071	1,043	+39
<b>Platinum</b>	36,708	+3,818	-40,828	-3,578	4,119	-241
<b>Silver</b>	69,908	+1,140	-82,733	-1,119	12,826	-19

**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) 01/30/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close below the 9-day moving average is a negative short-term indicator for trend. The daily closing price reversal up on the daily chart is somewhat positive. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is 1176.5. The next area of resistance is around 1195.8 and 1199.0, while 1st support hits today at 1184.6 and below there at 1176.5.

COMEX SILVER (MAR) 01/30/2017: The market now above the 60-day moving average suggests the longer-term trend has turned up. Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The market's short-term trend is positive on the close above the 9-day moving average. The outside day up is somewhat positive. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside objective is 16.424. The next area of resistance is around 17.462 and 17.673, while 1st support hits today at 16.838 and below there at 16.424.

COMEX PLATINUM (APR) 01/30/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market's short-term trend is positive on the close above the 9-day moving average. The daily closing price reversal up is a positive indicator that could support higher prices. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is 958.65. The next area of resistance is around 1000.20 and 1006.25, while 1st support hits today at 976.40 and below there at 958.65.

COMEX COPPER (MAR) 01/30/2017: 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 has a slightly positive tilt with the close over the swing pivot. The near-term upside objective is at 2.72. The next area of resistance is around 2.70 and 2.72, while 1st support hits today at 2.67 and below there at 2.65.

**DAILY TECHNICAL STATISTICS**

CLOSE 9 DAY 14 DAY 14 DAY 14 DAY 4 DAY 9 DAY 18 DAY 45 DAY 60 DAY

	RSI	RSI	SLOW STOCH D	SLOW STOCH K	M AVG	M AVG	M AVG	M AVG	M AVG	
<b>METALS COMPLEX</b>										
GCAG7	1190.2	48.04	50.73	72.69	59.64	1197.15	1203.96	1193.37	1174.47	1195.49
SIAH7	17.150	59.22	56.79	76.10	72.12	17.04	17.09	16.88	16.66	16.95
PLAJ7	988.30	58.19	57.63	74.29	69.17	989.88	980.76	976.54	944.79	952.07
CPAH7	2.69	63.21	61.78	77.04	79.09	2.70	2.66	2.62	2.60	2.55

Calculations based on previous session. Data collected 01/27/2017

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	1176.4	1184.5	1187.7	1195.8	1199.0
SIAH7	COMEX Silver	16.423	16.837	17.048	17.462	17.673
PLAJ7	COMEX Platinum	958.65	976.40	982.45	1000.20	1006.25
CPAH7	COMEX Copper	2.64	2.67	2.68	2.70	2.72

Calculations based on previous session. Data collected 01/27/2017

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