



PRECIOUS METALS COMMENTARY

01/31/17

The bulls hold a minimal edge but that edge is fleeting

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD +10.10, SILVER +24.80, PLATINUM +1.50

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were mixed overnight with Asian markets weaker and European stocks carving out modest gains. The Asian session started out with a series of Japanese economic data points with December Japanese unemployment holding steady at 3.1%, December household spending and December industrial production actually coming in better than expectations. The Bank of Japan's latest monetary policy meeting left rates unchanged but they did revise GDP readings for 2017 slightly higher than earlier forecasts. December readings for Japanese housing starts were positive but less positive than expected while construction orders posted a gain of 7.1% on the year. The European session started out with fourth quarter French GDP that rose +0.5% with December German retail sales weaker in the face of forecasts for a sizable improvement. January German unemployment fell to 5.9% from 6.0% and that is the lowest reading since reunification. The North American session will start out with December Canadian GDP which is forecast to see a moderate uptick from November's -0.3% reading and climb into positive territory. The November Case-Shiller home price index is expected to see a minimal downtick from October's +5.1% year-over-year rate. The Conference Board's January survey on consumer confidence is forecast to see a downtick from December's 113.7 reading. A busy day of earning announcement will be highlighted by ExxonMobil, Pfizer, Mastercard, UPS and Eli Lilly before the Wall Street with tech bellwether Apple reporting the close.



GOLD / SILVER

After making a fresh lower low for the move and the lowest price since January 11th yesterday, the April gold contract has simply waffled around the \$1,200 level today. There were some modestly upbeat Indian demand stories floated again overnight and the metals are also benefiting from modest weakness in the Dollar to start. Gold, silver and platinum should continue to see some safe haven support this week off geopolitical anxiety which continues to rise off the prospect of ongoing legal challenges and protests. With Trump firing the acting Attorney General in the wake of her call on DOJ employees to stand down from offering legal assistance to the new vetting rules, it is possible that the Democrats will present even more opposition to Trump nominees. While protests so far haven't become severe enough to drive additional safe haven buying into the gold and silver markets, seeing the former President suggest that he was "heartened" by the protests should add some shelf life to the flap. The market did see news that fourth-quarter gold production from Highland gold mining declined but the markets don't appear to be focused on supply side issues. Gold derivative holdings declined by 4,830 ounces overnight while silver derivative holdings rose a scant 1,168 ounces.

PLATINUM

The volatility in the PGM complex continues with prices in the platinum market sitting within striking distance of the January highs, with the palladium market closer to the bottom one third of the January trading range. With little change in PGM derivative holdings of late and the last commitments of traders positioning report putting platinum in an overbought condition, we would suggest that traders on the long side begin to tighten profit stops. However pushed into the market we think the bull camp in platinum has the edge with uptrend channel support today coming in at \$963.70. In the palladium market, it has continued to waffle around its 50 day moving average at \$729.33 and for the time being that might be a base from which the market could begin to follow platinum on the upside. Relatively speaking, the palladium market is relatively cheaper than the platinum market on a 30 day basis.

TODAY'S MARKET IDEAS:

The 50 day moving average in April gold was respected at the end of last week and today the market is moving up and away from that average which comes in at \$1,180.80. The 50 day moving average in March silver is seen well below the market at \$16.655, but silver seems to be carving out a trading range above the \$17.00 level. In conclusion, while the bull camp has to be a little disappointed in the lack of significant safe haven flow from the anxiety generated by the new US travel rules there will need to be violent protests, significant legal challenges or aggressive action by Congressional members to add to the safe haven tilt in gold and silver today. In short we are a little doubtful that the US political situation is capable of prompting an aggressive safe haven flow to gold and silver and a noted rally in prices off that angle.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COPPER COMMENTARY

01/31/17

The bulls hold an edge off credible supply side threats

GENERAL: In addition to the Chinese holiday this week dampening demand expectations, the copper market came under pressure as a result of geopolitical anxiety flowing from the US political front yesterday. Another issue that might have undermined copper prices was news that Indonesia may soon move to allow some exports of copper by Freeport McMoran following a dispute.

However, the market is clearly showing very impressive recovery action today and part of the gains today are probably the result of very significant declines in the prior trading session but we also think that a series of unplanned production shut downs and rising prospects of a strike at the Escondida Mine is more than enough news to put the bull camp in control.

**MARKET IDEAS:**

The ability to hold above the prior close of \$2.67 this morning, a weaker Dollar and prospects of a strike leave the bull camp in control. Initial resistance is seen up at a double high of \$2.7080 and we can't rule out a retest of the January high of \$2.7320 in the event that anxiety in US equities remains below a simmer and the Dollar comes back under pressure.

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 (APR) 01/31/2017: The cross over and close above the 60-day moving average is an indication the longer-term trend has turned positive. 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 market setup is supportive for early gains with the close over the 1st swing resistance. The next downside target is now at 1185.2. The next area of resistance is around 1202.8 and 1207.7, while 1st support hits today at 1191.6

and below there at 1185.2.

COMEX SILVER (MAR) 01/31/2017: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The market's short-term trend is positive on the close above the 9-day moving average. The downside closing price reversal on the daily chart is somewhat negative. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is 16.944. The next area of resistance is around 17.237 and 17.373, while 1st support hits today at 17.023 and below there at 16.944.

COMEX PLATINUM (APR) 01/31/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is 973.08. The next area of resistance is around 1001.75 and 1006.87, while 1st support hits today at 984.85 and below there at 973.08.

COMEX COPPER (MAR) 01/31/2017: The daily stochastics gave a bearish indicator with a crossover down. Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market could take on a defensive posture with the daily closing price reversal down. The market tilt is slightly negative with the close under the pivot. The next downside target is now at 2.60. The next area of resistance is around 2.70 and 2.73, while 1st support hits today at 2.64 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
METALS COMPLEX										
GCAJ7	1197.2	50.76	52.20	65.45	52.18	1195.03	1204.36	1197.87	1176.83	1196.73
SIAH7	17.130	59.72	57.10	74.94	72.62	17.03	17.09	16.92	16.67	16.93
PLAJ7	993.30	60.54	59.07	71.87	68.65	985.00	981.33	978.99	945.72	951.85
CPAH7	2.66	54.19	56.08	75.94	73.74	2.68	2.66	2.63	2.60	2.56

Calculations based on previous session. Data collected 01/30/2017

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						
GCAJ7	COMEX Gold	1185.1	1191.5	1196.4	1202.8	1207.7
SIAH7	COMEX Silver	16.943	17.022	17.158	17.237	17.373
PLAJ7	COMEX Platinum	973.07	984.85	989.97	1001.75	1006.87
CPAH7	COMEX Copper	2.59	2.63	2.66	2.70	2.73

Calculations based on previous session. Data collected 01/30/2017

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