



DAILY METALS COMMENTARY Wednesday February 01, 2017

PRECIOUS METALS COMMENTARY

02/01/17

The bulls retain a minimal edge but that edge is fleeting

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD +1.60, SILVER +6.20, PLATINUM +4.80

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were mostly higher overnight, with the exception the Russian RTS and the Hang Seng. Equity markets were probably boosted by the news yesterday that Apple managed to beat earnings and sales projections. The Asian session was highlighted by the "official" (NBS) Chinese manufacturing PMI number for January which rose for the 6th month in a row. The European session featured January manufacturing PMI readings from the Euro zone which were up from the prior month and slightly above expectations. German PMI results were above the prior month but slightly less than expectations. UK PMI readings were forecast to show a minor decline and they were below the prior month and slightly below expectations. The North American session will start out with the January ADP employment survey which is expected to show modest improvement from December's 153,000 reading. The January ISM manufacturing index is forecast to uptick from December's 54.7 reading. December construction spending is expected to decline from November's +0.7% reading but they are expected to remain in positive territory. January total vehicle sales will be released during the day and are forecast to downtick from December's 18.4 million annualized rate. The highlight of the North American session will be the results of the FOMC's latest monetary policy meeting which is forecast to have no changes to rates or policy. Earning announcement will include Altria, ADP and Johnston Controls before the Wall Street with Facebook and MetLife reporting after the close.



GOLD / SILVER

The big question for the gold bulls today is whether this week's rally is being primarily fueled by weakness in the dollar, or if ongoing geopolitical/economic anxiety in the US is providing the brunt of what appears to be a fresh safe haven buying wave as there appears to be slightly less geopolitical uncertainty (equities are higher to start) facing the markets to start today. In fact in addition to stronger than expected Apple earnings (a key bellwether for the global economy) the markets were also presented with mostly positive manufacturing PMI readings from a long list of countries overnight and that should lower uncertainty and safe haven interest in gold and silver temporarily. On the current wave higher the silver market has managed to keep up and perhaps even outperform the gold market at times and that might suggest the current wave higher is broader in nature than the rally off the December lows. The US Fed's statement/decision later today will be the primary influence on gold and silver as that news will also be the main driving force for the Dollar. We think scheduled data has failed to register enough strength to result in a hike today but we suspect that the Fed will provide dialogue that keeps the timing of the next hike in the windshield of the marketplace. Therefore we can't rule out a temporary knee-jerk bounce in the Dollar to the standard Fed wording that they remain diligent against inflation but in the end we think the lack of a move and the lack of any urgency by the Fed will produce more selling pressure to the dollar and therefore more indirect buying of gold and silver. In retrospect, last week's US scheduled data and data early this week has been mixed to weak and that alone should make it difficult for the Fed step up their decision to act. Clearly the gains of the last month and a half have caught the attention of technical traders with gold alone posting the biggest monthly gain since the middle of last year. Gold derivative holdings overnight increased by 33,650 ounces while silver derivative holdings increased by 732,517 ounces.

PLATINUM

With platinum seemingly poised to make another higher high overnight and potentially print the highest price since

November 10th of last year and the palladium market making a fresh five day high yesterday, the technical set up for the PGM complex remains bullish. While there might be moderate overhead resistance from the charts, positive leadership from gold and ongoing weakness in the dollar would seem to give the bull camp plenty of ammunition. Both platinum and palladium remain above their 50 day moving averages but the platinum market would seem to be more undervalued than palladium given the last six month's trade. News that Sibanye Resources was planning to cut 300 jobs was already known, but the actual cut could spark renewed labor tensions and provide some minor support to platinum. In other slightly positive news the US Mint noted the sale of 20,000 American Eagle platinum coin sales in January and that comes after no sales of the coin in December.

TODAY'S MARKET IDEAS:

One can hardly take control away from the bull camp in gold and silver given the strength on the charts and the prospect of even more declines in the US dollar ahead. In fact if the Fed later today were to come off as even slightly dovish or inconclusive on the timing for the next rate hike, that could vault gold and silver sharply higher. It would also seem as if the ongoing flow of geopolitical incendiary comments will continue from the new administration. Uptrend channel support in the April gold contract today is seen at \$1188.20. Similar uptrend channel support in March silver is seen at \$16.75 and or closer-in at \$17.45.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COPPER COMMENTARY

02/01/17

More positive economic sentiment & a strike favors the bulls

GENERAL: On the 3rd day of the trading week, March copper managed to reach up to the highest level since November 28th of last year. Fears of a strike at the Escondida mine in Chile have been realized overnight but that news was more than likely behind the brunt of the gains already posted this week. However, it goes without saying that copper has drafted some support from noted declines in the Dollar and perhaps the market is also set to draft off a positive wave in global equities. However there are also concerns brewing that BHP Chilean labor problems could spread to Antofagasta and perhaps even into Canadian copper operations. The Press is suggesting that Escondida negotiations have moved further apart rather than closer together, and that news has clearly served to more than offset the fear of slumping Chinese demand due to their recent holiday. Other supportive issues from the prior trading session were very positive commodity comments from Goldman especially toward copper. However, China showed a rise in copper production for all of 2016 of 6% and they also posted a 2016 decline in imports of 1.3% but the most recent monthly figures showed refined copper output in Chana declined and China also posted a sharp increase in rolled copper imports of 28% on a month over month basis. We would also note that Chinese manufacturing PMI readings posted a 6th straight monthly gain overnight!



MARKET IDEAS:

With Goldman positive toward copper in 2017, Chinese PMI readings posting another monthly gain and a strike at the world's largest copper miner, the path of least resistance looks to remain up today even if the market is short term overbought. We would also suggest that copper this week has basically discounted negative outside macroeconomic and geopolitical threats and that suggests the bull case is well attended. Uptrend channel support is seen down at \$2.6180 today, and that support zone rises to \$2.6260 on Thursday.

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) 02/01/2017: The cross over and close above the 60-day moving average is an indication the longer-term trend has turned positive. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. 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 objective is now at 1187.9. The next area of resistance is around 1223.7 and 1231.4, while 1st support hits today at 1201.9 and below there at 1187.9.

COMEX SILVER (MAR) 02/01/2017: The crossover up in the daily stochastics is a bullish signal. Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market's close above the 2nd swing resistance number is a bullish indication. The next upside target is 18.000. The next area of resistance is around 17.834 and 18.000, while 1st support hits today at 17.305 and below there at 16.940.

COMEX PLATINUM (APR) 02/01/2017: The daily stochastics have crossed over up which is a bullish indication. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The close above the 9-day moving average is a positive short-term indicator for trend. The close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 1010.42. The next area of resistance is around 1004.55 and 1010.42, while 1st support hits today at 991.05 and below there at 983.43.

COMEX COPPER (MAR) 02/01/2017: The daily stochastics have crossed over up which is a bullish indication. 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. Market positioning is positive with the close over the 1st swing resistance. The near-term upside objective is at 2.79. The next area of resistance is around 2.76 and 2.79, while 1st support hits today at 2.69 and below there at 2.64.

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 | 1212.8 | 62.12 | 59.40 | 63.36 | 59.19 | 1198.10 | 1204.11 | 1200.36 | 1177.21 | 1195.02 |
| SIAH7 | 17.570 | 69.86 | 63.97 | 76.36 | 79.19 | 17.17 | 17.12 | 16.98 | 16.69 | 16.90 |
| PLAJ7 | 997.80 | 62.55 | 60.35 | 72.15 | 72.64 | 989.13 | 984.26 | 981.82 | 947.14 | 951.73 |
| CPAH7 | 2.72 | 65.50 | 63.49 | 76.85 | 78.66 | 2.69 | 2.67 | 2.64 | 2.60 | 2.57 |

Calculations based on previous session. Data collected 01/31/2017

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 | 1187.8 | 1201.9 | 1209.6 | 1223.7 | 1231.4 |
| SIAH7 | COMEX Silver | 16.939 | 17.304 | 17.470 | 17.834 | 18.000 |
| PLAJ7 | COMEX Platinum | 983.42 | 991.05 | 996.92 | 1004.55 | 1010.42 |
| CPAH7 | COMEX Copper | 2.63 | 2.68 | 2.71 | 2.76 | 2.79 |

Calculations based on previous session. Data collected 01/31/2017

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