



DAILY METALS COMMENTARY

Thursday February 02, 2017

PRECIOUS METALS COMMENTARY

02/02/17

The bulls have full control mostly off weakness in the Dollar

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD +14.70, SILVER +24.00, PLATINUM +9.30

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were mixed overnight with the biggest loser overnight the XETRA DAX and the RTS Index the bigger gainer. The Asian session started with January Japanese consumer confidence readings that showed a modest gain. The European session started out with December Swiss retail sales that declined by more than expected and January UK construction PMI number that fell sharply in the month of January. However, the highlight of the European trading session was news that December Euro zone PPI reached the highest level in 4 years. Later this morning the markets will see the results of the Bank of England latest monetary policy meeting but the trade does not expect changes to UK rates or policy. The North American session will start out with the January Challenger job cuts survey, followed by a weekly reading on initial jobless claims that are forecast to see a minor decline from the previous 259,000 reading. Fourth quarter non-farm productivity is expected to have a notable decline from the third quarter's +3.1% reading while fourth quarter unit labor cost are forecast to have notable improvement from the third quarter's +0.7% reading. Earning announcement will include Merck, Royal Dutch Shell, Philip Morris and ConocoPhillips before the Wall Street with Amazon.com and Amgen reporting after the close.



GOLD / SILVER

While strength in the US dollar undermined sentiment and probably prompted some long profit-taking in advance of the FOMC decision and statement yesterday the gold market has cleared that hurdle and has made a strong statement this morning with a sharp range up extension and the highest price since November 17th. In the end, the gold market was and still is being cheered by the on-hold but seeing the Fed also hint minimal inflation gains could be seen as the Best-of-two-worlds. In other words seeing what could be the start of an inflationary trend without squelching the threat with higher rates helps put deflation in the rearview mirror. In another supportive development from the overnight hours the world's largest gold ETF saw their holdings rise by a hefty 10.67 tonnes on Wednesday and in turn those holdings reached their highest level since January 6th. While periodic strength in the dollar this week has clearly hindered gold and silver, the distinct downside failure in the Dollar this morning would seem to reconfirm a downward trend in the Greenback and that alone is probably the main reason gold and silver are sharply higher and it should be the main reason why gold and silver will extend gains later today. Another issue that could lend support to gold and silver prices directly ahead is increased concern toward Iranian missile tests and other backlashes to the US Travel ban from the Arab world.

PLATINUM

Once again, the PGM complex has clawed out higher highs for the move but platinum actually forged an upside breakout and the highest price since November 10th! We would also note that open interest in platinum has risen on the current rally, but that bullish technical signal has not yet been confirmed by an increase in volume. Uptrend channel support in April platinum comes in today at \$979 but closer-in support is seen at \$1,000. There might not be significant resistance in April platinum until \$1,019. Not to be outdone, the palladium market has also made a six day high and it appears to be headed back toward the mid-January highs just under \$800 an ounce. Unfortunately, open interest in palladium has flat-lined and there has been only a minimal increase in trading volume. Furthermore palladium derivative holdings overnight declined to the lowest level since November Of 2010. In short it is not surprising to see palladium lag behind platinum on the upside. It did seem as if the PGM

complex this week has benefited from favorable US scheduled data and from the Fed's anticipated on-hold stance and that might suggest the markets are tracking their industrial fundamentals instead of their safe haven fundamentals.

TODAY'S MARKET IDEAS:

If it were not for the periodic strength in the dollar, April gold would already be trading up around \$1,250. Uptrend channel support in April gold today comes in at \$1191.60 but with closer in resistance today already taken out at \$1,223 we target the next objective in April gold up at the \$1,250 level. In March silver, we continue to see the prospect of a near term trade back above \$18.00 with critical support moving up to \$17.54 today. An added assistance to the silver market is seen from a technical perspective with rising open interest on the last three week's rally and from the breakout above a 6 month hold downtrend channel resistance line.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COPPER COMMENTARY

02/02/17

A slight corrective bias as strike action might be delayed

GENERAL: Even though workers in Chile voted to strike, they apparently had 48 hours from the vote to begin the strike but with the prospect of government mediation efforts it could now be 6 or 7 days until a strike could actually be carried out legally. The Escondida mine represents over 5% of the world's total copper production, and therefore the threat of a strike can't be minimized but we do think that the rally from the mid-January low was the result of the fear of this lost supply. However, a quasi-risk-off tilt this morning from equities and a delay in the timing of the strike clearly justifies some modest back and fill action. We also think that copper setback from yesterday's highs because longs banking profits and moving to the sidelines ahead of the Fed and now that the Fed has signaled it will remain on hold a little longer, that might increase the odds of respecting the \$2.70 support zone. All things considered, the copper market should be underpinned as a result of the latest US data as factory activity reached the fastest pace in two years and ADP figures were much stronger than most expectations.



MARKET IDEAS:

It would seem that most of the corrective pressure yesterday came from outside market influences and not from the supply and demand condition in copper. With the strike window pushed back due to government involvement in that dispute it is not surprising to see some back and fill action on the charts. However, one should expect favorable US data and a weaker Dollar to provide some cushion to copper to start this morning. On the other hand we think the odds are very good that this week's commitments of traders report will show a new all-time record spec and fund long and that could leave this market top heavy. Uptrend channel support in March copper today comes in at \$2.66 and initial resistance today is seen up at \$2.738.

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) 02/02/2017: 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is now at 1193.9. The next area of resistance is around 1218.6 and 1224.4, while 1st support hits today at 1203.4 and below there at 1193.9.

COMEX SILVER (MAR) 02/02/2017: Rising stochastics at overbought levels warrant some caution for bulls. 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 objective is 17.833. The next area of resistance is around 17.697 and 17.833, while 1st support hits today at 17.393 and below there at 17.224.

COMEX PLATINUM (APR) 02/02/2017: The crossover up in the daily stochastics is a bullish signal. 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside objective is 1009.80. The next area of resistance is around 1006.30 and 1009.80, while 1st support hits today at 996.90 and below there at 991.00.

COMEX COPPER (MAR) 02/02/2017: Rising stochastics at overbought levels warrant some caution for bulls. The market's close above the 9-day moving average suggests the short-term trend remains positive. The downside closing price reversal on the daily chart is somewhat negative. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside target is at 2.75. The next area of resistance is around 2.72 and 2.75, while 1st support hits today at 2.70 and below there at 2.69.

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	1211.0	60.99	58.66	62.62	61.78	1202.38	1204.70	1201.77	1177.78	1193.34
SIAH7	17.545	65.45	61.45	77.35	79.34	17.32	17.17	17.02	16.71	16.89
PLAJ7	1001.60	64.19	61.37	73.53	76.83	993.73	989.11	983.16	949.11	951.76
CPAH7	2.71	61.87	61.15	78.03	80.16	2.70	2.68	2.65	2.60	2.58

Calculations based on previous session. Data collected 02/01/2017

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	1193.8	1203.3	1209.1	1218.6	1224.4
SIAH7	COMEX Silver	17.223	17.392	17.528	17.697	17.833
PLAJ7	COMEX Platinum	991.00	996.90	1000.40	1006.30	1009.80
CPAH7	COMEX Copper	2.68	2.69	2.71	2.72	2.75

Calculations based on previous session. Data collected 02/01/2017

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