



DAILY METALS COMMENTARY Friday February 03, 2017

PRECIOUS METALS COMMENTARY 02/03/17

Extreme volatility expected with the \$ action to dominate

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
GOLD -6.30, SILVER -11.90, PLATINUM -8.40**

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were mixed overnight with Asian and Pacific Rim markets weaker with the rest of the world's markets higher. The Asian session started with Caixin Chinese manufacturing PMI readings which declined to 51.0 from December's 51.9 reading. The European session saw a flurry of January readings on services and composite PMI from around Europe that were generally forecast to hold steady with the December numbers. However Euro zone January services PMI ticked down slightly with the composite PMI from the Euro zone also managing a single tick higher. On the other hand December Euro zone retail sales declined by 0.3%. The North American session will start out with the highlight for the global markets, the January US employment situation report. January non-farm payrolls are forecast to come in around the +175,000 level while the January unemployment rate is forecast to hold steady at 4.7%. A key number for future Fed rate hike prospects is January average hourly earnings which are expected to downtick from December's +0.4% result. December factory orders are forecast to see notable improvement from November's -2.4% reading and climb into positive territory. The January ISM non-manufacturing index is expected to see a modest downtick from December's 57.2 reading. Chicago Fed President Evans will speak during morning US trading hours. Earnings announcements will include Phillips 66, Weyerhaeuser, Hershey and Clorox before the Wall Street opening.



GOLD / SILVER

After forging another upside breakout yesterday, April gold has fallen back from those highs in a manner that presents a slightly bearish technical tilt for the last trading session of the week. Similarly, the March silver contract also forged a fresh upside breakout yesterday, but made an even more significant reversal from the highs and most importantly it is showing fairly negative early chart action today. With the bounce in the dollar yesterday and further modest gains in the Greenback this morning it is not surprising to see additional profit-taking in both gold and silver. The bull camp has to be a little disappointed that ongoing uncertainty from the Iranian missile test has failed to provide lasting safe haven buying interest especially with hints of a response from the Trump Administration circulating in the Press. Underpinning gold is news that the world's largest gold ETF saw its holdings rise by 10.6 tons on Wednesday and another 1.48 tonnes on Thursday to reach their highest level since January 6th. Some of the early declines today are likely the result of World Gold Council forecasts suggesting that 2017 gold demand will be dented by India's battle to reduce "black money" as that has already undermined gold demand in that country. In fact, the WGC pegged 2017 Indian gold demand to only be 650 to 750 tons and that level would see China surpass India as the world's largest gold consumer. However, the WGC news was not all negative as they also predicted that total global demand last year jumped by 2% to the highest level since 2013. Other issues that might provide minimal support to gold prices today are signs of a minor pick-up in Indian jeweler buying (which apparently pent up in hopes of a reduction in the import duty but there was not a cut in the duty) and news that Sibanye 2016 gold production declined by roughly 2% relative to 2015. Unfortunately, the classic fundamental influences on gold might be more than counter veiled by the action in the US dollar. Therefore the direction of gold and silver today will be heavily influenced by the judgment of the market on the strength or weakness of US nonfarm payrolls.

PLATINUM

Like the rest of the precious metals complex, the PGM metals forged positive action early yesterday before

finishing off the highs yesterday. With additional weakness to start today the trade clearly faces negative technical charts to start. An issue that might foster selling and or discourage fresh buying is news that a Russian producer expects its palladium output to rise in 2017. However, the higher production forecast should probably be discounted as that company showed a decline of 3% in 2016 output and therefore the higher output forecast might be hopeful expectations. It should be noted that Platinum derivative holdings declined overnight to the lowest level since January 10th while palladium derivative holdings declined slightly and they remain at the lowest levels since November of 2010! At least this week, it appears as if the focus of the PGM complex will remain on gold and the dollar instead of classic industrial demand components. Uptrend channel support in April platinum today is seen at \$982.60 but the \$1,000 per ounce level might be a psychological level into today's close. March palladium today probably has support at an old triple high of \$744.40. The 50 day moving average in March Palladium is seen down at \$731.56.

TODAY'S MARKET IDEAS:

As suggested already, the technical picture for gold and silver is damaged by the failure to hold all of yesterday's gains but more specifically because of the initial downside extension this morning. However, in looking at the week thus far there's no reason to call for an end to the upward track from a bigger picture perspective. As mentioned already, flows into gold derivative holdings might be a sign of renewed investor interest in this sector especially if the Iranian missile test sparks an overly aggressive response from the White House. On the other hand the 24 hour recovery in the US dollar is clearly the main driving force for prices to start today and therefore the US nonfarm payroll reading will clearly set the tone for the remainder of the week. We see critical support down at \$1,200 in April gold and at \$17.30 in March silver. Our intermediate upside targeting in April gold remains \$1250. Expect a wild swing following 7:30 data but we would suggest that aggressive players remain poised to buy \$10 to \$15 breaks in gold.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COPPER COMMENTARY

02/03/17

Without a very positive payroll more declines are expected

GENERAL: Clearly the threat of a strike in Chile has been temporarily discounted due to the delay in the actual strike action. As in many other physical commodities, the copper market is also being undermined by a key reversal in the US dollar but copper might also be under pressure because of a decline in Chinese manufacturing readings overnight especially with news that Shanghai copper stocks rose by 10,928 tons on the week. We have to suggest that severe damage on the charts and a significantly overbought spec and fund long has left the market vulnerable to more selling. Going forward, one might expect significant volatility to end the week in the wake of what is shaping up to be a fairly important US nonfarm payroll reading. In addition to the slight down tick in Chinese copper demand expectations and the dollar, the key data point of the month (US Payrolls) should lay the foundation for the beginning of a March rate hike mantra.



MARKET IDEAS:

As we have already indicated several times this week, it is possible that this week's commitments of traders report will show a fresh record spec and fund long in copper. It is also possible that volatility from the payroll report could prompt more longs to exit, especially when one considers the January low to high rally was a significant \$0.26. A normal retracement of the January rally would provide a downside target of \$2.6365 and perhaps \$2.6050. To throw off near term corrective action probably requires a post nonfarm payroll rally above \$2.73.

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) 02/03/2017: The crossover up in the daily stochastics is a bullish signal. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. A positive setup occurred with the close over the 1st swing resistance. The near-term upside objective is at 1235.8. The next area of resistance is around 1226.8 and 1235.8, while 1st support hits today at 1209.6 and below there at 1201.3.

COMEX SILVER (MAR) 02/03/2017: The daily stochastics gave a bearish indicator with a crossover down. 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 market's short-term trend is positive on the close above the 9-day moving average. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 17.200. The next area of resistance is around 17.645 and 17.860, while 1st support hits today at 17.315 and below there at 17.200.

COMEX PLATINUM (APR) 02/03/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's short-term trend is positive on the close above the 9-day moving average. The market has a slightly positive tilt with the close over the swing pivot. The next upside objective is 1021.12. The next area of resistance is around 1010.75 and 1021.12, while 1st support hits today at 994.25 and below there at 988.13.

COMEX COPPER (MAR) 02/03/2017: The daily stochastics gave a bearish indicator with a crossover down. Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is now at 2.63. Short-term indicators on the defensive. Consider selling an intraday bounce. The next area of resistance is around 2.71 and 2.74, while 1st support hits today at 2.66 and below there at 2.63.

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	1218.2	64.46	61.09	63.38	66.21	1208.48	1205.57	1203.95	1178.19	1191.72
SIAH7	17.480	64.42	60.86	77.17	76.80	17.39	17.21	17.07	16.73	16.87
PLAJ7	1002.50	64.70	61.66	74.60	77.41	998.08	991.86	984.83	950.76	951.63
CPAH7	2.68	55.85	57.21	77.37	76.05	2.69	2.69	2.66	2.60	2.58

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

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	1201.2	1209.5	1218.5	1226.8	1235.8
SIAH7	COMEX Silver	17.200	17.315	17.530	17.645	17.860
PLAJ7	COMEX Platinum	988.12	994.25	1004.62	1010.75	1021.12
CPAH7	COMEX Copper	2.62	2.65	2.68	2.71	2.74

Calculations based on previous session. Data collected 02/02/2017
Data sources can & do produce bad ticks. Verify before use.

****This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.*