



DAILY METALS COMMENTARY Monday February 06, 2017

PRECIOUS METALS COMMENTARY

02/06/17

The path of least resistance remains up

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD +6.90, SILVER +11.60, PLATINUM +6.60

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were mixed with Europe and US markets showing some minimal positive action early on. The European session started out with December German Manufacturing orders figures which gained 5.2% over the prior month. The February Sentix index of Euro zone investor confidence down ticked from January's 18.2 reading. The North American session will be relatively quiet and will feature the Fed's labor market conditions index. Philadelphia Fed President Harker will speak during afternoon US trading hours. Earnings announcements will include Newell Brands, Tyson Foods and Sysco before the Wall Street open while 21st Century Fox reports after the close.



GOLD / SILVER

Volatility at the end of last week was much smaller than anticipated given the importance of Friday's US schedule data. However, seeing both gold and silver reject selling following initial dollar gains on Friday should help to underpin precious metals prices early this week. Gold and silver will probably benefit from the prospect of fresh sanctions talk against Iran, but that issue might also be lost in a sea of executive order legal battles. It is possible that gold will see some safe haven buying because of legal battles in Washington especially if Trump orders the Justice department to find a way to implement his travel restrictions. With the market leaving last week in the wake of Indian gold demand concerns, it might be important for the gold trade to see a continuation of inflows into gold derivative holdings. In fact, the world largest gold ETF saw their holdings rise by 3.28 tonnes on Friday, which was a third straight daily build and they also reached their highest levels since December 30th. Some players will suggest that an increase in Chinese 4th quarter gold demand relative to 2015 countervails the Indian demand dip, but that news was itself tempered by the revelation that full year Chinese gold demand for 2016 was off by a very significant 21%! However, Gold might be set to draft some early support from strength in South African mining shares which were boosted by 4th quarter earnings news from Randgold. With the Commitments of Traders Futures and Options report as of January 31st for Gold showing Non-Commercial and Non-reportable combined traders held a net long position of only 132,221 contracts, the market isn't overbought and overly vulnerable to its technical condition yet. Silver on the other hand is overbought and somewhat vulnerable to its Commitments of Traders Futures and Options report as it was carrying a Non-Commercial and Non-reportable combined net long position of 89,449 contracts as of last Tuesday!

PLATINUM

Like gold and silver, the platinum market at the end of last week also rejected a moderately significant washout to close higher on the week and the market is showing fresh strength this morning. It is possible that the PGM complex saw the monthly nonfarm payroll data as supportive of physical demand at the same time that a reversal in the dollar provided many physical commodities like the PGM metals with the capacity to finish last week on a positive note. If the US dollar was unable to sustain gains on much stronger-than-expected data, one could conclude that the path of least resistance in the currency is set to remain down. In looking at the most recent commitments of traders data in platinum, it's positioning in this week's report is probably understated given the gains forged after the report was compiled. We suspect platinum enters the new trading week with its net spec and fund long closer to 50,000 contracts than 40,000 contracts and that is a little limiting for the bull camp. The actual Commitments of Traders Futures and Options report as of January 31st for Platinum showed the Non-Commercial and Non-reportable combined traders held a net long position of 43,138 contracts. Unlike platinum,

the palladium market is not overbought with the Commitments of Traders Futures and Options report as of January 31st for Palladium showing the Non-Commercial and Non-reportable combined traders held a net long position only 16,749 contracts.

TODAY'S MARKET IDEAS:

Uptrend channel support in April gold to start the trading week is seen at \$1213.40, with initial resistance pegged at \$1227.50. Similarly, March silver has uptrend channel support to start the week at \$17.385 and little in the way of resistance until the \$17.745 level. At this point, we see no reason to take control away from the bull camp, especially if anxieties continue to run high in Washington and the dollar continues to extend on the downside. In fact, one has to wonder what at this point will save the dollar from more losses.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

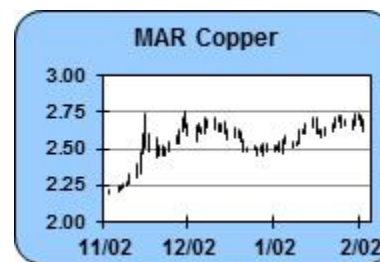
None.

COPPER COMMENTARY

02/06/17

Some value might have been found at Friday's lows

GENERAL: The big range down washout in March copper at the end of last week put prices down to the lowest level since January 20th but the market in the early going today has shown respect for last week's low of \$2.6120. Recent declines were at least partially justified because of an overdone spec and fund long, news of a hike in Chinese short-term interest rates and also because of a moderate rise in weekly Shanghai copper at the end of last week. In fact, the Commitments of Traders Futures and Options report as of January 31st for Copper showed the Non-Commercial and Non-reportable combined traders held a net long position of 57,360 contracts and that is within striking distance of the record spec long of 61,000 contracts. It goes without saying that the bears were able to attack the market because of a delay in the strike threat in Chile but that issue is likely to dominate the action this week and it is also possible that further weakness in the Dollar could provide some outside market support.



MARKET IDEAS:

We suspect that the \$2.60 level will offer some form of support to the March contract early this week. However we can't rule out at least a temporary retest the \$2.5815 level. An uptrend channel support line in March copper comes in at \$2.58 with the 50 day moving average coming in close to the market at \$2.6060. In order to turn off the downward tilt probably requires a rally back above \$2.6340. In retrospect, the inability to benefit from favorable US data is damaging but that news should ultimately help to thicken up support at the mid-January consolidation lows of \$2.5815.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 1/24/2017 - 1/31/2017						
	Non-Commercial		Net Position	Commercial		Non-Reportable
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	
Metals						
Copper	56,942	+6,912	-57,360	-6,028	418	-883
Gold	119,093	+11,769	-132,221	-8,454	13,128	-3,316

Palladium	15,761	-1,630	-16,749	+1,685	988	-55
Platinum	38,951	+2,243	-43,138	-2,310	4,187	+68
Silver	75,246	+5,338	-89,448	-6,715	14,203	+1,377

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) 02/06/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal up on the daily chart is somewhat positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside target is at 1233.4. The next area of resistance is around 1228.8 and 1233.4, while 1st support hits today at 1214.0 and below there at 1203.7.

COMEX SILVER (MAR) 02/06/2017: 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 daily closing price reversal up is a positive indicator that could support higher prices. The market tilt is slightly negative with the close under the pivot. The next downside objective is 17.165. The next area of resistance is around 17.630 and 17.724, while 1st support hits today at 17.350 and below there at 17.165.

COMEX PLATINUM (APR) 02/06/2017: 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 daily closing price reversal up is a positive indicator that could support higher prices. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 1021.70. The next area of resistance is around 1016.20 and 1021.70, while 1st support hits today at 996.60 and below there at 982.50.

COMEX COPPER (MAR) 02/06/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside target is 2.56. The next area of resistance is around 2.65 and 2.71, while 1st support hits today at 2.58 and below there at 2.56.

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	1221.4	66.15	62.27	66.94	73.47	1215.13	1206.02	1205.88	1178.83	1190.65
SIAH7	17.490	65.86	61.79	76.96	76.54	17.48	17.24	17.12	16.74	16.85
PLAJ7	1006.40	66.66	62.85	75.88	79.48	1000.58	994.48	985.99	952.51	951.60
CPAH7	2.61	43.21	48.25	71.35	59.32	2.69	2.69	2.66	2.60	2.59

Calculations based on previous session. Data collected 02/03/2017

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	1203.6	1213.9	1218.5	1228.8	1233.4
SIAH7	COMEX Silver	17.165	17.350	17.445	17.630	17.724
PLAJ7	COMEX Platinum	982.50	996.60	1002.10	1016.20	1021.70

CPAH7	COMEX Copper	2.55	2.57	2.63	2.65	2.71
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Calculations based on previous session. Data collected 02/03/2017
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