



## DAILY METALS COMMENTARY

Tuesday February 07, 2017

### PRECIOUS METALS COMMENTARY

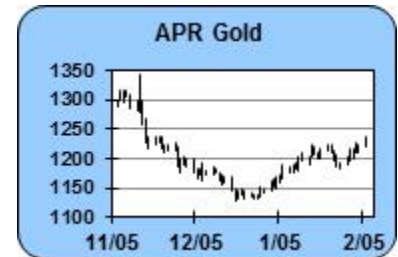
02/07/17

**Modest corrective potential today off Dollar action**

#### OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

**GOLD -0.70, SILVER -7.80, PLATINUM -3.30**

**OUTSIDE MARKET DEVELOPMENTS:** Global equity markets were mixed again with Asian stocks lower while European and U.S. stocks were showing early gains. The Asian session featured December readings on Japanese leading economic indicators which showed a moderate improvement from November. The European session was highlighted by December German industrial production which showed a much larger than expected decline and that reading was also accompanied by sharp declines in Manufacturing output and Construction. However, German officials claimed the data was significantly impacted by cold weather and the holiday season. The North American session will start out with the December international trade balance which is expected to show a modest decrease to the monthly deficit. The January job openings and labor turnover (JOLTS) survey is forecast to show a modest uptick from December's 5.522 million reading. December Canadian building permits are forecast to see a sizable decline from November's 0.1% reading. The January Canadian Ivey PMI is expected to see a moderate decline from December's 60.8 reading. Later in the session, December US consumer credit will be released and is expected to have a moderate decline from November's reading. A busy day of earnings announcement will include Intercontinental Exchange, BP, General Motors, Emerson Electric and Archer Daniels Midland before the Wall Street opening while Walt Disney, Gilead Sciences and Mondelez report after the close.



### GOLD / SILVER

April gold has already recovered more than half of the losses from the November 9th to December 15th break. While a bit overbought, the increased uncertainties with Iran, Europe (France/UK) and policy battles from President Trump should help keep the short-term trend up. It is also possible that gold and silver are catching some lift in the wake of reduced US rate hike fears which have crept into the market this week. In fact, a noted bond fund manager suggested that quantitative easing might remain in place much longer than the market was expecting. Lastly while Middle Eastern tensions may have dissipated slightly this week they continue to cast a shadow as the markets await the next salvo from Iran and or the US. The world's largest gold ETF saw their gold holdings rise by 4.15 tonnes on Monday, and they have now risen by more than 19 tonnes during the first four sessions of February and are at their highest level since the end of 2016. The ETF inflow news is at least partially offset by reports that China failed to add to its gold reserves for the 3rd month in a row but that news in turn might be offset by reports that Chinese Currency reserves fell below \$3 trillion for the 1st time since 2011. In short there continues to be many more bullish forces at work than bearish even if the short term technicals are a bit stretched.

### PLATINUM

The PGM sector also remains well supported with platinum reaching its highest price level since early November yesterday while palladium finished the day more than \$60 above last Monday's low! A substantial upward revision to the Anglo American (Amplats) annual earnings may be due in part to internal corporate factors but also speaks well for an uptick in PGM demand, which should continue to improve if stronger risk sentiment takes hold both at home and abroad. In fact, indications that Sibanye is looking for fresh acquisition targets after acquiring Stillwater also points towards a positive longer-term outlook for the sector. However, US domestic car sales posted a lackluster start to the year in January and both PGM markets are a bit short term technically overbought. News that Implats intends to replace its power source from the national grid and toward fuel-cell technology could

ultimately lower the risk of supply-side problems from that refinery. However that type of switch could be a long time in coming. On the other hand, we see no reason for April platinum to fall back below up-trend channel support of \$997.30 with similar support in March palladium pegged down at \$748.75.

**TODAY'S MARKET IDEAS:**

With a quasi-double top forged in gold overnight it would appear as if some form of a modest corrective setback is in order. In fact noted strength in the dollar (with an upside breakout on its charts) combined with an initial risk on vibe in equities could set the stage for a dip to uptrend channel support of \$1,218.50 in April gold. Similar uptrend channel support in March silver is seen at \$17.363. At least to start today, negative influences from the dollar look to temporarily trump both uncertainty and safe haven.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**COPPER COMMENTARY**

02/07/17

**We see value under prices with supply issues still in place**

**GENERAL:** With ecological concerns from mining prompting the Indonesian government to adopt a hardline stance against mining companies that should help to underpin copper prices. In fact restraining output from Indonesia could have the same impact as a strike in one of the larger mining countries. With the 13 cent high to low slide in copper from last week's high, a large measure of the extensively overbought spec positioning in copper should have been balanced and given the lingering fears of a strike in Chile that should make last week's lows fairly solid support or value. An issue that might lend added support to copper prices is suggestions that Escondida miners were preparing for an extended work stoppage. LME copper stocks have now only seen one build in the past 33 sessions with those stocks dropping by more than 90,000 tonnes (26% of their total) over that timeframe, which offsets the surge in Shanghai exchange stocks since the start of this year.



**MARKET IDEAS:**

The bulls look to have the upper hand in copper as supply issues in Chile and Indonesia should continue to underpin prices and the market has also recently balanced an overbought technical condition. However, the market this morning is facing some modest adversity from strength in the Dollar and weaker Chinese equity market action. In the end we have to think March copper will be able to respect close-in support especially if the US session can show some risk-on action in equities. Near-term support for March copper remains at the 50-day moving average of \$2.6095 while resistance is seen up at \$2.6755.

**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) 02/07/2017: The moving average crossover down (9 below 18) indicates a possible

developing short-term downtrend. Momentum studies are trending higher but have entered overbought levels. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market's close above the 2nd swing resistance number is a bullish indication. The near-term upside target is at 1249.6. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 1245.1 and 1249.6, while 1st support hits today at 1228.5 and below there at 1216.3.

COMEX SILVER (MAR) 02/07/2017: The daily stochastics gave a bullish indicator with a crossover up. 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. There could be more upside follow through since the market closed above the 2nd swing resistance. The near-term upside target is at 17.972. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 17.884 and 17.972, while 1st support hits today at 17.585 and below there at 17.373.

COMEX PLATINUM (APR) 02/07/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's short-term trend is positive on the close above the 9-day moving average. A positive setup occurred with the close over the 1st swing resistance. The near-term upside objective is at 1028.45. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 1024.30 and 1028.45, while 1st support hits today at 1010.30 and below there at 1000.45.

COMEX COPPER (MAR) 02/07/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's short-term trend is negative as the close remains below 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 2.60. The next area of resistance is around 2.66 and 2.68, while 1st support hits today at 2.63 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
<b>METALS COMPLEX</b>										
GCAJ7	1236.8	71.51	66.07	71.03	79.49	1220.15	1208.01	1208.27	1180.04	1189.81
SIAH7	17.735	72.32	66.22	79.24	83.80	17.52	17.31	17.17	16.77	16.84
PLAJ7	1017.30	71.39	65.91	79.31	86.05	1005.83	995.56	987.92	954.83	951.69
CPAH7	2.64	49.25	52.03	65.59	54.08	2.67	2.68	2.66	2.61	2.59

Calculations based on previous session. Data collected 02/06/2017

Data sources can & do produce bad ticks. Verify before use.

## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>METALS COMPLEX</b>						
GCAJ7	COMEX Gold	1216.2	1228.4	1232.9	1245.1	1249.6
SIAH7	COMEX Silver	17.372	17.584	17.672	17.884	17.972
PLAJ7	COMEX Platinum	1000.45	1010.30	1014.45	1024.30	1028.45
CPAH7	COMEX Copper	2.60	2.62	2.64	2.66	2.68

Calculations based on previous session. Data collected 02/06/2017

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.