



## DAILY METALS COMMENTARY

Thursday February 09, 2017

### PRECIOUS METALS COMMENTARY

02/09/17

**No reason to take control away from the bull camp yet**

#### OVERNIGHT CHANGES THROUGH 3:15 AM (CT):

**GOLD +4.50, SILVER +7.00, PLATINUM +3.80**

**OUTSIDE MARKET DEVELOPMENTS:** Global equity markets were once again mixed overnight with Chinese markets higher and other markets waffling around both sides of unchanged. The Asian session featured December Japanese machinery orders which showed a sizable uptick from November's reading and they also climbed back into positive territory. The European session started out with the December German trade balance that reached a record high surplus for 2016 with December exports down and imports basically unchanged. The North American session will start with a weekly reading on initial jobless claims that are forecast to see a modest uptick from the previous 246,000 reading. December wholesale inventories are expected to see a moderate downtick from November's 1.0% reading but remain in positive territory. Fed speakers will include St. Louis Fed President Bullard during morning US trading hours while Chicago Fed President Evans will speak during the afternoon. Earnings announcements will include Coca-Cola, CVS Health, Occidental Petroleum, Kellogg and Yum Brands before the Wall Street opening today. NVIDIA, Thomson Reuters and Cerner report will report earnings after the close.



#### GOLD / SILVER

The safe haven wagon rolls on in the precious metals complex. In fact we would suggest that Gold and silver have been held back this week in the face of periodically positive action in the dollar but the trade is clearly becoming less convinced that the dollar is poised to shift into a sustainable uptrend. On the other hand inflows into gold derivative holdings are once again being noted by the Press and there have been several fund managers this week touting increased allocation to safe haven instruments because of the current political environment. In fact the world's largest gold ETF saw their holdings rise by 5.63 tonnes again Wednesday, and they have now seen inflows during all 6 trading sessions during February which is also the longest daily build streak since last June. Some traders indicated the recent pattern of falling US treasury yields has created another potential source of buying fuel for gold and silver. At least in the near term, there would not seem to be a reason to call for an end to the uptrend. From a wave analysis perspective, April gold would seem to have further room to run on this wave higher as the December and January wave was \$94 an ounce and the current wave has only reached \$46 an ounce. Only recently has open interest in gold begun to climb and that suggest to us the market hasn't reached a short-term overbought positioning yet.

#### PLATINUM

As in gold and silver, we see no reason to call for an end to the upward track in PGM prices especially with recent strength in the Johannesburg Stock Exchange this week being lifted by PGM share strength as that should enhance investment interest toward the entire sector. Also like gold and silver, the platinum market has carved out a uniform uptrend channel at a pace that probably limits the threat of developing overbought technical indicators. While short-term stochastics have entered the overbought zone they have not technically registered a sell signal. For the time being, the PGM complex looks to draft off strength in gold and pay little attention to classic physical commodity market fundamentals. Uptrend channel support in April platinum today is seen down at \$1,001.30 with similar uptrend channel support in March Palladium seen at \$762.25. It should be noted that palladium stochastics remain in a buy mode and are not in overbought territory.

**TODAY'S MARKET IDEAS:**

Short-term technicals in gold remain in a buy mode and geopolitical news flow patterns remain in the bull's court. We continue to anticipate the trade above \$1,250, but we also can't rule out a potential probe of the \$1,259.40 level. Short-term technical indicators in the silver market also remain in a buy mode and a near term trade above \$18 appears to be in the cards. Additional upside targeting in March silver might be seen at \$18.14.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**COPPER COMMENTARY**

02/09/17

**The path of least resistance is up with \$2.70 an initial target**

**GENERAL:** Not surprisingly, the copper market ranged up sharply and temporarily reached up to the highest level since February 2nd yesterday and that shifts both technical and fundamental indicators in favor of the bull camp again. The strike at the Escondida mine is scheduled for today and with that mine the largest producing mine in the world the impact on supply should not be underestimated. Furthermore, scaled-back production from Freeport McMoran's Grasberg mine in Indonesia adds to the supply crunch as that mine is the second largest mine in the world. The Indonesian cutback in supply might be sustainable as environmental officials in Indonesia have suggested they will not allow mining in water sheds and they have every right to implement that ban and therefore some production setbacks might be permanent. Adding to the bullish psychology in the copper market is an aggressive upward price targeting call from a Swiss bank because of the prospect of a series of tightening supply issues. A final issue that should support copper prices from the demand front is news that December Japanese machinery orders showed a sizable uptick from November's reading overnight and they also climbed back into positive territory



**MARKET IDEAS:**

As mentioned already, the trend in copper has shifted upward in the face of a series of supply-side threats. While several of these issues were anticipated by the trade, the sharp slide off last week's highs probably removed too much value from prices given the reality of the world's two largest mines reducing or stopping production. There might be little in the way of resistance until \$2.70 and support today should move up to \$2.6320. An issue that could sharply extend the run-up in prices is the suggestion from the unions that the two sides in the Chilean labor dispute are far apart.

**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) 02/09/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's close above the 9-day moving average suggests the short-term trend remains positive. Market positioning is positive with the close over the 1st swing resistance. The next upside target is 1256.1. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 1250.4 and 1256.1, while 1st support hits today at 1235.2 and below there at 1225.6.

COMEX SILVER (MAR) 02/09/2017: 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 18.016. The next area of resistance is around 17.902 and 18.016, while 1st support hits today at 17.648 and below there at 17.507.

COMEX PLATINUM (APR) 02/09/2017: Rising stochastics at overbought levels warrant some caution for bulls. The market's short-term trend is positive on the close above the 9-day moving average. The outside day up is somewhat positive. A positive setup occurred with the close over the 1st swing resistance. The near-term upside target is at 1033.60. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 1028.10 and 1033.60, while 1st support hits today at 1011.30 and below there at 1000.00.

COMEX COPPER (MAR) 02/09/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. Market positioning is positive with the close over the 1st swing resistance. The next downside objective is 2.61. The next area of resistance is around 2.69 and 2.72, while 1st support hits today at 2.64 and below there at 2.61.

## 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	1242.8	76.07	69.53	80.38	89.11	1232.95	1217.56	1212.51	1182.83	1188.57
SIAH7	17.775	69.65	64.89	83.45	87.01	17.66	17.48	17.26	16.82	16.81
PLAJ7	1019.70	72.17	66.51	84.33	90.03	1013.38	1002.91	991.73	958.80	952.29
CPAH7	2.66	52.70	53.94	56.14	49.06	2.64	2.67	2.66	2.61	2.60

Calculations based on previous session. Data collected 02/08/2017

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	1225.5	1235.1	1240.8	1250.4	1256.1
SIAH7	COMEX Silver	17.506	17.647	17.761	17.902	18.016
PLAJ7	COMEX Platinum	1000.00	1011.30	1016.80	1028.10	1033.60
CPAH7	COMEX Copper	2.60	2.63	2.66	2.69	2.72

Calculations based on previous session. Data collected 02/08/2017

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