



## DAILY METALS COMMENTARY

Friday February 10, 2017

### PRECIOUS METALS COMMENTARY

02/10/17

**The bears have control as growth hopes are rekindled by Trump**

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

**GOLD -10.70, SILVER -13.10, PLATINUM -15.50**

**OUTSIDE MARKET DEVELOPMENTS:** Global equity markets were generally positive overnight with the Russian markets and the IBEX 35 tracking lower. A slight risk-on vibe is in place overnight from the Trump comments in the prior trading session regarding the prospect of a comprehensive tax program in the coming weeks. It is also possible that signs of positive interaction between the US President and the Chinese is seen as a positive by the global markets. The Asian session started out with the Chinese trade balance, which showed a sizable uptick in both exports and imports and that should contribute to risk-on and it should also lend support to a number of physical commodities. The European session saw December UK industrial and manufacturing readings that improved on their November year-over-year results. The North American session will start out with January readings for the import price index and export price index, both of which are forecast to see modest downtick from their December readings. The highlight of the North American session will be January Canadian jobs data which is expected to show their unemployment rate holding steady at 6.9% along with a net change in employment close to unchanged levels. A private survey of January consumer sentiment is expected to see a modest decline from the previous 98.5 reading. Earnings announcements will include Aon and Ventas before the Wall Street opening.



#### GOLD / SILVER

The fundamental reasons behind the quasi-double-top left in place by the Wednesday and Thursday action are numerous. While the strength in the US dollar is part of the problem for the bull camp, the market is also undermined by a short-term overbought technical condition and talk of a possible tax plan from the White House in the coming weeks! Seeing a focus back on pro-growth policies and away from political flashpoints really serves to put a significant dent in safe haven instruments like gold and silver. In fact, if the promise of work on a tax plan continues to attract the attention of the media and dominates the headlines, the gold and silver markets could see the beginning of a rather noted correction. The most significant development from the recent turn of events is renewed strength in the dollar (it has already managed the highest level in 9 days overnight) and that means the nemesis of gold has regained the upper hand again. As we have already noted, the market left what appears to be a bearish quasi-double-top with the action on Thursday and that might increase the confidence of the bear camp and weaken the hands of the bull camp. In fact, with the gold market fresh off what is effectively a three month high, a normal retracement of the January/February rally could project an initial slide back down to \$1,221.30 and perhaps even \$1,208 if tax reform foments economic confidence all day.

#### PLATINUM

With April platinum to the high yesterday reaching \$138 above the late December lows and the Johannesburg stock market earlier this week lifted by PGM shares, it would appear as if bullish sentiment reached an overdone condition in the PGMs into the Thursday high. Others will suggest the range up and failure to hold the gains yesterday set the stage for a normal technical retracement of the mid-January to mid-February rally which would initially project a slide to \$1,001. As for palladium, it is less technically overbought and therefore it might stand up better to a looming precious metals setback. However a normal corrective setback in March palladium would project the slide to \$753.16.

**TODAY'S MARKET IDEAS:**

We don't like the technical action in gold and silver over the last 36 hours and we are very concerned that the economic condition/psychology has definitively shifted in favor of the bear camp. In fact a return to risk-on, significant strength in equities and fresh optimism from the Trump economic policy front is not a good combination for safe haven instruments like gold, silver and Treasuries. Therefore the failure to hold above \$1229.20 projects a spike down to end the week to \$1208.30 in the April goal contract. Critical pivot point support in the March silver contract today is seen at \$17.46 and the failure to hold that level could target a spike down washout to \$17.26.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**COPPER COMMENTARY**

02/10/17

**The bulls have both supply and demand working in their favor**

**GENERAL:** All things considered, the action in the copper market yesterday could have discouraged the bull camp as prices didn't show as much strength as they might have deserved. However, copper has sprang to life this morning in the wake of a shift back toward US economic optimism in the wake of the promise of a US tax plan in the coming two weeks. With the Chilean strike expected to be a long term strike, a risk on vibe in equities and favorable (Overall) Chinese Import/Export data we can understand the initial burst higher in copper today. However, between the lines January Chinese copper imports declined by 110,000 tons in January and Shanghai copper stocks forged a massive build of 53,806 tons! In conclusion the copper market seems to be in favor because of improving relations between China and the US and seeing the prospect of even more new all-time highs in stocks later today gives traders hope of better demand ahead. Adding into the bull's case is the twin supply threats from Chile and Indonesia.



**MARKET IDEAS:**

The risk of being short in the face of bullish supply-side fundamentals and newfound optimism toward the global economy is unacceptable. Despite the sharp upside extension this morning we still favor the bull camp and we expect a rise above \$2.70 and possibly a retest of the February high of \$2.7380.

**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) 02/10/2017: 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. The market's close below the pivot swing number is a mildly negative setup. The next upside objective is 1250.2. The next area of resistance is around 1239.6 and 1250.2, while 1st support hits today at 1225.0 and below there at 1220.9.

COMEX SILVER (MAR) 02/10/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The close above the 9-day moving average is a positive short-term indicator

for trend. It is a slightly negative indicator that the close was under the swing pivot. The next upside objective is 17.927. The next area of resistance is around 17.779 and 17.927, while 1st support hits today at 17.550 and below there at 17.468.

COMEX PLATINUM (APR) 02/10/2017: Momentum studies are trending higher but have entered overbought levels. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal down puts the market on the defensive. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 1037.47. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 1026.95 and 1037.47, while 1st support hits today at 1011.05 and below there at 1005.68.

COMEX COPPER (MAR) 02/10/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The intermediate trend has turned down with the cross over back below the 18-day moving average. The market tilt is slightly negative with the close under the pivot. The next downside target is 2.63. The next area of resistance is around 2.67 and 2.69, while 1st support hits today at 2.64 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
<b>METALS COMPLEX</b>										
GCAJ7	1232.3	65.97	63.53	81.02	83.64	1235.00	1221.77	1214.17	1183.93	1188.56
SIAH7	17.665	67.01	63.51	84.18	85.63	17.70	17.54	17.31	16.83	16.81
PLAJ7	1019.00	71.26	66.03	85.03	86.58	1016.30	1006.81	993.51	960.50	953.48
CPAH7	2.65	51.04	52.84	52.59	45.48	2.65	2.67	2.66	2.61	2.60

Calculations based on previous session. Data collected 02/09/2017

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	1220.8	1224.9	1235.5	1239.6	1250.2
SIAH7	COMEX Silver	17.467	17.549	17.697	17.779	17.927
PLAJ7	COMEX Platinum	1005.67	1011.05	1021.57	1026.95	1037.47
CPAH7	COMEX Copper	2.62	2.64	2.65	2.67	2.69

Calculations based on previous session. Data collected 02/09/2017

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