



DAILY METALS COMMENTARY Monday February 13, 2017

PRECIOUS METALS COMMENTARY 02/13/17

Choppy 2-sided action until FOREX trends are clear

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
GOLD -4.30, SILVER +2.70, PLATINUM +0.40**

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were higher overnight with the only exceptions the FTSE 100 Index and the MICEX Index which were minimally lower. The Asian session featured a +1.1% gain in the fourth quarter Japanese GDP which was a downtick from third quarter's +1.3% annualized rate. Overnight the EU raised its 2016 growth forecast to 1.9% from 1.8% and they are saw positive growth throughout the Bloc in the coming 2 years. The North American session will be relatively quiet data-wise, which may keep the market focus on developments in Washington. Earnings announcements will include Teva Pharmaceuticals before the Wall Street opening.



GOLD / SILVER

While gold and silver recovered impressively at the end of last week they have started today's action off balance. However, the reversal last Friday should temper some of the bearish psychology from last week's corrective track. On the other hand, the reversal and recovery in March silver was very impressive with a low to high rally of roughly \$0.48 and that should put part of the bear camp off balance. The bull camp might also tout strong volumes on the recovery Friday as another sign of bargain-hunting buying or perhaps the market sees Friday's lows as a value zone. The trade should also be emboldened by the realization that flows into gold derivative holdings since December 23rd have increased by 3 million ounces; similarly, silver derivative holdings have increased by 72 million ounces since the middle of December! However, the Commitments of Traders Futures and Options report as of February 7th for Gold showed the Non-Commercial and Non-reportable combined traders held a net long position of 138,244 contracts and that is modestly overbought. The Commitments of Traders Futures and Options report as of February 7th for Silver showed Non-Commercial and Non-reportable combined traders held a net long position of 92,573 contracts and that positioning if both understated due to the 27 cent additional rally after the report was compiled and it signals a moderately overbought condition.

PLATINUM

With a significant washout and recovery at the end of last week, the platinum market has probably leveled its technical positioning and it has probably frustrated the bear camp a little with recent action. It should also be noted that platinum saw that range down rejection and recovery in the face of rising open interest and a sharp increase in trading volume. The Commitments of Traders Futures and Options report as of February 7th for Platinum showed Non-Commercial and Non-reportable combined traders held a net long position of 45,390 contracts. Since the 4th quarter 2016 low, platinum derivative holdings have increased by 190,000 ounces from a base of 1.9 million ounces. Like platinum, the palladium market saw a rejection of a moderate washout on Friday and that could serve to temper the bear's interest. It should also be noted that volume and open interest in palladium increased off the favorable chart action last week! The Commitments of Traders Futures and Options report as of February 7th for Palladium showed Non-Commercial and Non-reportable combined traders held a net long position of 16,940 contracts.

TODAY'S MARKET IDEAS:

While the technical picture for April gold favors the bull case, action in the dollar last week creates some concern for the bulls. The bull camp might suggest the inability of the dollar to hold the brunt of its gains last Friday could indicate a near term peak but that decision remains in the offing to start this morning with the March Dollar Index

remaining within close proximity to last week's highs. A critical pivot point for the dollar with respect to gold is seen at 1.0063, with a decline below that level rekindling bullish interest in the precious metals while a rise above 1.0100 could rekindle bearish psychology toward gold and silver. The US economic report slate is mostly empty today and therefore the primary driving force today might be political dialogue and or the direction of US equities. Uptrend channel support in April gold to start the week is seen at \$1,226.60 with similar uptrend channel support in March silver seen today at \$17.63. Unfortunately, those critical support levels might be tested if the risk-on psychology in equities extends this week. Optimistic economic psychology will probably continue if this week's political focus provides talk on tax reform and infrastructure spending in the US.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COPPER COMMENTARY

02/13/17

Temporarily overdone but supply side threats live on

GENERAL: We understand the bullishness last week in the face of the surge in global economic sentiment and we also understand the benefit of favorable Chinese trade figures driving copper prices, but seeing the largest single week inflow of copper into the Shanghai warehouse in modern trading times should have held back prices somewhat. Another issue that the copper market was able to discount at the end of last week was news within the Chinese trade figures of a decline in Chinese January copper imports. In the end, the primary driving force was the reality of the halt in mining operations at the worlds' largest copper mine but that news was compounded by improved macroeconomic sentiment. Therefore, the bias in copper to start this week is partially bullish but guarded given the extensive short term overbought condition on the charts. A case in point is the Commitments of Traders Futures and Options report as of February 7th for Copper which showed Non-Commercial and Non-reportable combined traders already held a huge net long position of 54,576 contracts as of early last week. With the COT report compiled before the low to high rally of 15 cents, we would think that copper would probably be holding a record spec and fund long if the COT report was compiled today.



MARKET IDEAS:

Clearly the copper market was emboldened by favorable Chinese news and a noted improvement in US economic psychology last week but the brunt of the bullishness was probably due to lost production at the top two global mines. However, the massive range up extension at the end of last week would seem to factor in a tremendous amount of bullishness and the bull camp will need risk-on sentiment and signs of a protracted strike in Chile to add to gains straight away. Initial support today is seen at \$2.753 and then again down at \$2.738. Fundamentals are bullish, but technicals are significantly overdone and a certain amount of two-sided volatility is probably just ahead.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 1/31/2017 - 2/7/2017						
	Non-Commercial		Commercial	Commercial	Non-Reportable	
	Net Position	Weekly Net Change			Weekly Net Change	Net Position
Metals						
Copper	51,516	-5,426	-54,576	+2,784	3,060	+2,642
Gold	121,369	+2,276	-138,244	-6,023	16,875	+3,747

Palladium	15,934	+173	-16,940	-191	1,006	+18
Platinum	40,494	+1,543	-45,392	-2,254	4,896	+709
Silver	77,172	+1,926	-92,572	-3,124	15,401	+1,198

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) 02/13/2017: Rising stochastics at overbought levels warrant some caution for bulls. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market's close below the pivot swing number is a mildly negative setup. The next upside objective is 1249.2. The next area of resistance is around 1243.2 and 1249.2, while 1st support hits today at 1227.0 and below there at 1216.7.

COMEX SILVER (MAR) 02/13/2017: Rising stochastics at overbought levels warrant some caution for bulls. A positive signal for trend short-term was given on a close over the 9-bar moving average. The outside day up is a positive signal. Market positioning is positive with the close over the 1st swing resistance. The near-term upside objective is at 18.336. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 18.177 and 18.336, while 1st support hits today at 17.703 and below there at 17.387.

COMEX PLATINUM (APR) 02/13/2017: The daily stochastics have crossed over down which is a bearish indication. 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 market tilt is slightly negative with the close under the pivot. The next downside target is now at 985.50. The next area of resistance is around 1026.69 and 1034.30, while 1st support hits today at 1002.30 and below there at 985.50.

COMEX COPPER (MAR) 02/13/2017: The daily stochastics have crossed over up which is a bullish indication. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. The outside day up and close above the previous day's high is a positive signal. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next upside objective is 2.88. The next area of resistance is around 2.84 and 2.88, while 1st support hits today at 2.71 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
METALS COMPLEX										
GCAJ7	1235.1	68.89	65.29	82.83	84.73	1236.88	1226.61	1215.48	1185.41	1188.77
SIAH7	17.940	75.68	68.99	86.58	89.96	17.78	17.64	17.36	16.86	16.83
PLAJ7	1014.50	63.93	62.49	84.85	83.33	1017.20	1009.50	995.43	962.25	954.83
CPAH7	2.77	66.76	63.64	56.19	64.07	2.68	2.68	2.67	2.61	2.60

Calculations based on previous session. Data collected 02/10/2017

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	1216.6	1226.9	1232.9	1243.2	1249.2
SIAH7	COMEX Silver	17.386	17.702	17.861	18.177	18.336
PLAJ7	COMEX Platinum	985.50	1002.30	1009.90	1026.69	1034.30
CPAH7	COMEX Copper	2.60	2.70	2.74	2.84	2.88

Calculations based on previous session. Data collected 02/10/2017

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