



## **PRECIOUS METALS COMMENTARY** 02/14/17

### **Major trend decision today in the wake of Fed testimony**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**GOLD +4.60, SILVER +8.90, PLATINUM +3.90**

**OUTSIDE MARKET DEVELOPMENTS:** Global equity markets were mixed overnight with the FTSE MIB making the biggest gain and the MICEX Index posting the biggest loss. The Asian session started out with a reading on Chinese January CPI which saw a moderate uptick from December's +2.1% year-over-year rate with a gain of +2.5%. December Japanese industrial production was forecast to hold steady but instead was revised higher to a gain of +0.7%. The European session started out with a reading on German inflation as their January CPI which was expected to hold steady at a +1.9% year-over-year rate but instead it logged a decline of 0.6% which is a reading that should make it difficult to move away from negative interest rates. However, fourth quarter German GDP bested expectations with an uptick of +1.7% on a year-over-year basis. January Swiss CPI posted its first positive result since September of 2014. January UK CPI saw a dip to -0.5% even though it was still up on a year over year basis. Fourth quarter Euro zone GDP was expected to hold steady but instead it managed a +0.4% month over month rise. December Euro zone industrial production was forecast to show a sizable downtick but instead it managed a +0.4% month over month gain. Lastly the February ZEW survey of German economic sentiment was expected show a moderate downtick and it fell to 10.4 from 16.6 in the prior month. The North American session will feature the January producer price index which is forecast to show a minimal downtick from December's +1.6% year-over-year reading. The highlight of North American trading will be Fed Chair Yellen's testimony in front of the Senate Banking Committee. Other Fed speakers will include Richmond Fed President Lacker during morning US trading hours while Atlanta Fed President Lockhart and Dallas Fed President Kaplan speak during the afternoon. Earnings announcements will include AIG, Express Scripts and Devon Energy after the Wall Street close.



### **GOLD / SILVER**

With a fresh lower low for the move in gold to start the week, the bearish technical picture from last week has returned to the windshield. However, prices this morning have started out with a positive tilt but we can't rule out some longs moving to the sidelines ahead of the Fed Chair's testimony later today. In fact given the runaway highs in equities of late and the stronger than anticipated nonfarm payroll results for January, it wouldn't be a stretch to expect hawkish dialogue from the Fed Chairman today which in turn could spark an additional run-up in the dollar. Furthermore seeing the US improve its trade relations over the prior three days with Japan and Canada is also capable of pushing some safe haven money back to the sidelines. The world's largest gold ETF saw their holdings rise by 4.15 tonnes on Monday, and in fact they have risen more than 41 tonnes (5.2% higher) since the end of January.

### **PLATINUM**

With a negative drag from gold and silver, a stronger dollar and weakness in crude oil yesterday it wasn't surprising to see April platinum start the week with a moderate move down. Like gold and silver the platinum market was clearly overbought into last week's highs and the key reversal from last week's highs would seem to clear the way for a slide to at least \$988. However, reports that Impala Platinum holdings posted a loss between \$0.48 and \$0.58 a share highlights the difficulties facing PGM miners, but in the short-term the threat of supply-side issues is not consequential to prices. While the fundamental track appears to be negative for the PGM complex, the charts in platinum and palladium generally remain in an up-trend status. Uptrend channel support in the early going today is seen at \$998.30, but it could take a rally back above \$1,014.20 to turn the tide away from

the bear track. With definitive risk on in place yesterday and the decline seen in platinum and palladium it is clear the markets are taking their direction from the ebb and flow of safe haven psychology and not from classic supply and demand issues.

**TODAY'S MARKET IDEAS:**

While the gold market might stand up against a series of bearish developments today, the path of least resistance might remain down directly ahead until the market has cleared the impact of the US Fed. In fact we are very concerned that minimally hawkish dialogue from the US Federal Reserve Chair later today could pave the way for a quick spike down toward \$1,200 in April gold. Similarly, we can't rule out a big spike down in March silver to \$17.41 in the event that Fed testimony today sends the dollar into another upside breakout. While the fundamental track looks negative to gold and silver today, the technical posture in silver looks fairly impressive still and therefore it will be interesting to see if silver can skirt fundamental headwinds today!

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**COPPER COMMENTARY**

02/14/17

**The bulls control off 3 supply issues**

**GENERAL:** The copper market was impressive yesterday with its ability to forge another new high for the move after such significant gains at the end of last week. The bear camp might discount the range up action yesterday because of the markets inability to hold the brunt of those gains but news that Freeport has reduced output at its main Indonesian mine and seeing a decline of 4,475 tons in LME copper stocks should provide fresh support and perhaps another wave of buying interest to start today. Furthermore it appears as if the strike in Chile is set to continue in the near term and there were also reports of protests around a Peruvian copper mine and that stretches the supply threat count to 3 countries. Lastly given the recent significant run-up in US equity prices one has to think that improving demand expectations are also contributing to the prevailing bullish tilt. The biggest negative facing copper today is potentially hawkish Fed testimony and the capacity of that dialogue to lift the Dollar.



**MARKET IDEAS:**

With the commitments of traders report net spec and fund long in copper reaching 53,000 contracts last week and the market into the Monday high almost \$0.19 a pound above the level where the COT report was measured, one has to assume an extensively overbought technical condition in copper. We do think the \$2.60 level is too cheap and perhaps the \$2.70 level is also too cheap given supply disruptions and favorable demand signs, but it could be difficult to hold prices above \$2.80 without first correcting some of the overbought status. Critical support to start today is seen at \$2.7690 and then down at the old high of \$2.7530. The bulls have control but the risk to fresh longs is on the rise.

**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) 02/14/2017: The daily stochastics gave a bearish indicator with a crossover down. Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is now at 1213.0. Short-term indicators on the defensive. Consider selling an intraday bounce. The next area of resistance is around 1233.8 and 1241.1, while 1st support hits today at 1219.8 and below there at 1213.0.

COMEX SILVER (MAR) 02/14/2017: Momentum studies are trending higher but have entered overbought levels. 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 upside target is 18.107. The next area of resistance is around 17.939 and 18.107, while 1st support hits today at 17.680 and below there at 17.588.

COMEX PLATINUM (APR) 02/14/2017: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The market's close below the 9-day moving average is an indication the short-term trend remains negative. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is now at 984.08. The next area of resistance is around 1010.05 and 1021.47, while 1st support hits today at 991.35 and below there at 984.08.

COMEX COPPER (MAR) 02/14/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside objective is 2.84. The next area of resistance is around 2.81 and 2.84, while 1st support hits today at 2.76 and below there at 2.74.

## 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	1226.8	58.32	59.33	81.85	79.58	1234.75	1228.41	1216.18	1186.46	1188.72
SIAH7	17.810	68.07	64.93	87.20	88.42	17.80	17.67	17.39	16.87	16.84
PLAJ7	1000.70	51.54	55.40	80.43	72.46	1013.53	1009.69	996.89	963.40	955.83
CPAH7	2.78	67.59	64.25	59.61	68.78	2.72	2.69	2.68	2.61	2.61

Calculations based on previous session. Data collected 02/13/2017

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	1212.9	1219.7	1227.0	1233.8	1241.1
SIAH7	COMEX Silver	17.587	17.679	17.847	17.939	18.107
PLAJ7	COMEX Platinum	984.07	991.35	1002.77	1010.05	1021.47
CPAH7	COMEX Copper	2.73	2.75	2.79	2.81	2.84

Calculations based on previous session. Data collected 02/13/2017

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