



DAILY METALS COMMENTARY

Wednesday February 15, 2017

PRECIOUS METALS COMMENTARY

02/15/17

Silver looks better than gold into day 2 of Fed testimony

OVERNIGHT CHANGES THROUGH 3:15 AM (CT):

GOLD +1.50, SILVER +0.10, PLATINUM -0.60

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were mostly higher overnight but Chinese stocks were tracking lower. The Asian session was relatively quiet economic report wise while the European session started out with a look at the UK employment situation from the January ILO unemployment report which as expected held steady at 4.8% but their claimant count was much better than expected with a decline of 42,400. The UK jobless claimant expectation was for an increase of 2000. The December Euro zone trade balance posted a surplus. However, there will be a busy North American session will start out with the NY Fed's February Empire State manufacturing survey, followed by January retail sales that are forecast to have a moderate decline from December's +0.6% reading but remain in positive territory. The January consumer price index is expected to show a moderate increase from December's +2.1% year-over-year rate. January industrial production is forecast to decline from December's +0.8% reading but it is expected to remain in positive territory. December business inventories and the February NAHB housing index will also be released during morning US trading hours. Fed Chair Yellen will give testimony in front of the House Financial Services Committee during morning US trading hours. Other Fed speakers will include Boston Fed President Rosengren Philadelphia Fed President Harker and NY Fed President Dudley during afternoon US trading hours. Earnings announcements will include PepsiCo and Analog Devices before the Wall Street opening while Cisco Systems, Kraft Heinz, Applied Materials, Marriott, CBS Corp and BarrickGold report after the close.



GOLD / SILVER

All things considered, gold continues to hold up impressively in the face of ongoing strength in the dollar, partially hawkish Fed dialogue and suggestions from the Fed that the US recovery continues to unfold. While the action in the silver market is showing some weakness early today the March silver contract actually made a higher high and it posted the highest price since November 11th the face of gold weakness yesterday. While both gold and silver have largely discounted ultra-strong action in the dollar this week traders should not discount that potentially bearish influence going forward. Other news that might apply some pressure to gold is the fact that gold derivative holdings were unchanged overnight as that breaks a pattern of inflows for the month of February. Investor sentiment toward gold might be injured in the wake of news this morning that Fund manager John Paulson reduced his position in SPDR gold in the fourth-quarter especially with George Soros also selling Barrick Gold shares in the fourth-quarter. With a very active slate of US economic data today and the second round of Fed Chairman testimony to Congress traders should also be on the lookout for temporary spike down moves in gold and silver.

PLATINUM

With a pattern of lower highs and higher lows recently, April platinum might be poised for a critical trend decision ahead. Like gold and silver, the PGM markets have been standing up to potentially undermining action in the dollar fairly well and that might be the result of an improving global economic outlooks which in turn should help to improve the demand outlook for industrial metals. In a slightly positive overnight story Anglo-American platinum saw its 2016 production decline by 5% and offered guidance for 2017 that called for production to be unchanged. Uptrend channel support in April platinum today comes in at \$939.90 with similar uptrend channel support in March palladium seen at \$780. Given the rate of gain in palladium over the last three weeks, it might be more vulnerable to corrective action than platinum. In the end, the bulls need ongoing breakaway gains in equities and

rising optimism to offset adverse currency market action.

TODAY'S MARKET IDEAS:

Over the last six months, a direct inverse correlation between gold and the dollar has usually prevailed. However, this week a noted upside extension in the dollar has not definitively knocked gold and silver off-balance yet. Unfortunately, the upward bias in the dollar might not be derailed easily in the wake of additional Fed testimony today. If a near term downtrend pattern is in force in gold that should leave resistance in April gold today up at \$1,232.60. However the silver market has had no short-term negative action like gold and therefore it might become the leadership market. Uptrend channel support in March silver today is seen at \$17.716 and that support level would rise to \$17.83 on Friday.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

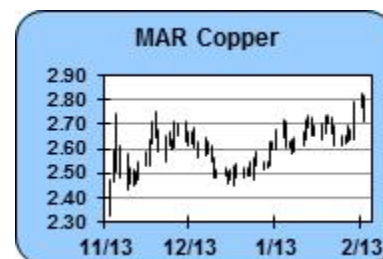
None.

COPPER COMMENTARY

02/15/17

Some corrective potential remains as strike issue remains

GENERAL: The March copper contract fell aggressively yesterday in a washout that was probably attributable to a number of factors. It goes without saying the copper market was extensively overbought from the 19 cent low to high rally last week. However, news that the Chilean strike might see some intervention in the form of mediation between the two sides tempered a significantly important bullish fundamental storyline. In fact with the markets recently expecting a prolonged work stoppage, the progression towards mediation justifies the removal of some strike premium. We would suggest a \$2.7130 level would remove the brunt of the Chilean mine supply threat leaving in place less significant supply threats from Indonesia and Peru. Other issues that might keep up the pressure on copper going forward is added strength in the US dollar, mixed to weaker crude oil prices and increased market chatter fretting over a US rate hike next month. While not a direct support copper should derive some benefit from news in the prior trading session that aluminum prices hit the highest level in 7 quarters. Overnight one major brokerage firm suggested the rally in copper was complete because of the potential of a significant delay in bringing US infrastructure activity into play while another major brokerage firm predicted the uptrend in copper prices would continue off ongoing supply-side issues and recovering demand in China.



MARKET IDEAS:

A normal correction of the December through February rally could allow for a return to \$2.6795 or a 50% retracement down to \$2.6355. Long-term uptrend channel support is seen down at \$2.6580 with closer in support seen at the prior session's low of \$2.7135. While we can't argue against higher highs in copper prices later this year in the short-term the market probably needs corrective action and a return to the early February consolidation lows. It should be noted that LME copper stocks continue to decline at a significant daily rate and that could be supply shifting into China or that action could be the result of improving demand outside of China

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) 02/15/2017: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is now at 1216.1. The next area of resistance is around 1236.0 and 1242.6, while 1st support hits today at 1222.8 and below there at 1216.1.

COMEX SILVER (MAR) 02/15/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. A positive signal for trend short-term was given on a close over the 9-bar moving average. The upside daily closing price reversal gives the market a bullish tilt. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside target is at 18.290. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 18.130 and 18.290, while 1st support hits today at 17.770 and below there at 17.570.

COMEX PLATINUM (APR) 02/15/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close below the 9-day moving average is a negative short-term indicator for trend. The close over the pivot swing is a somewhat positive setup. The next downside objective is 991.50. The next area of resistance is around 1010.70 and 1017.90, while 1st support hits today at 997.50 and below there at 991.50.

COMEX COPPER (MAR) 02/15/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. The close below the 1st swing support could weigh on the market. The near-term upside objective is at 2.85. The next area of resistance is around 2.79 and 2.85, while 1st support hits today at 2.70 and below there at 2.66.

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	1229.4	60.17	60.35	80.11	77.01	1231.98	1230.64	1217.52	1187.64	1188.70
SIAH7	17.950	70.12	66.23	87.34	87.62	17.85	17.72	17.44	16.89	16.86
PLAJ7	1004.10	53.96	56.63	76.08	67.55	1009.55	1010.10	999.51	964.64	956.73
CPAH7	2.74	59.40	58.87	61.77	66.09	2.74	2.69	2.69	2.61	2.61

Calculations based on previous session. Data collected 02/14/2017

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	1216.0	1222.7	1229.3	1236.0	1242.6
SIAH7	COMEX Silver	17.570	17.770	17.930	18.130	18.290
PLAJ7	COMEX Platinum	991.50	997.50	1004.70	1010.70	1017.90
CPAH7	COMEX Copper	2.65	2.69	2.75	2.79	2.85

Calculations based on previous session. Data collected 02/14/2017

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