



DAILY METALS COMMENTARY

Thursday February 16, 2017

PRECIOUS METALS COMMENTARY

02/16/17

Gold & silver dodged a \$ bullet bulls are back in control

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD +5.50, SILVER +9.20, PLATINUM +6.40

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were mostly weaker overnight with the Pacific Rim stocks bucking the trend with gains. The Asian session featured Australian January unemployment that declined from 5.8% to 5.7% but that news was partially offset by the fact that full-time jobs declined slightly. The European session started out with 4th quarter French unemployment which showed a downtick from the third quarter's 10.0% reading. The North American session will start out with a weekly reading on initial jobless claims that are expected to see a moderate uptick from the previous 234,000 reading. January housing starts are expected to see a modest increase from December's result while January building permits are forecast to see a minimal decline. The February Philly Fed survey is expected to see a sizable downtick from January's 23.6 reading. Earnings announcements will include Charter Communications, Duke Energy, Pacific Gas & Electric and Waste Management before the Wall Street opening.



GOLD / SILVER

The gold market has dodged a bullet this week as the dollar rally early in the week was clearly making a portion of the bull camp very nervous. However, after a new low for the move gold prices rejected a slide in prices once again and at times April gold traded \$18 an ounce above the lows of the day yesterday and that would seem to suggest that some players are turning buyers on breaks. As in the Tuesday trading session, precious metals benefited Wednesday from a hot/upside breakout in inflation (CPI) results and that should underpin metals prices going forward. In other words, the metals are justified in factoring in a move away from deflation and toward inflation even if the threat of rising interest rates was given some fresh credence this week. Another supportive development for gold is news overnight that the world's largest gold ETF saw their holdings rise by 2.67 tonnes and reach their highest level since December 14th of 2016. As for the silver market, it did not exhibit as much technical damage early on as gold yesterday and that has become a pattern. In other words, silver remains squarely in the midst of a very uniform and impressive uptrend pattern. Issues that might restrain gold and silver ahead are fears of spreading bird flu in China, a resumption of the Dollar rise and lastly, subsequent hawkish Fed dialogue. Another issue that might be a minimal drag on gold prices this morning is somewhat favorable earnings news for a South African gold miner and plans for a turnaround in one of the world's deepest mines.

PLATINUM

Like the gold market, platinum during the prior trading session was under significant attack and managed a fresh lower low before rejecting that slide and adding to the recovery action in the early going today. All told, the April platinum contract has managed a \$30 low to high bounce from yesterday's lows to this morning's high. Therefore, the two month old uptrend channel pattern remains in force with prices at the close Wednesday sitting nearly in the middle of the upward channel. While we anticipate an ongoing positive correlation between the PGM markets and the equity markets, those paying up above the midpoint of the channel should be cognizant of a potential looming problem with bird flu in China. Another minor negative for platinum from a supply side perspective is news that Anglo American Platinum managed to return to an operating profit in their latest earnings report. Uptrend channel support today in the April platinum contract comes in at \$993.30 whereas the top of the uptrend channel comes in today at \$1,041.80. Like the silver market, the palladium market has continued to forge a very well defined uptrend channel pattern on its charts. The bull camp might note that palladium did not exhibit noted weakness early in the prior session's trade and it did manage to reach the highest trade since January 25th.

Uptrend channel support in March palladium today is seen at \$782.70.

TODAY'S MARKET IDEAS:

Those that are long April gold still have to be concerned about residual strength in the dollar, as this week's events appear to have raised the prospect of an interest rate hike next month and that could still underpin the greenback and rekindle pressure on gold. However, the Dollar has once again showed it is unable to sustain strength in the wake of definitively bullish fundamental conditions. From a technical perspective, the gold market certainly rejected a washout yesterday and with the April contract managing to rally back above \$1,239 this morning, the last five days downward motion appears to be reversed. Near term targeting in April gold is seen up at \$1,246. However, the failure to hold above \$1,222.60 could embolden the bear camp again.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

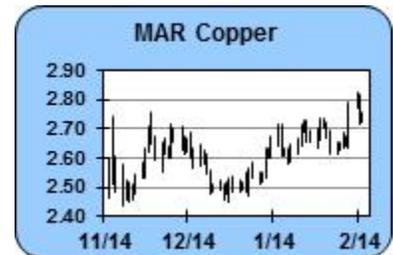
None.

COPPER COMMENTARY

02/16/17

The bulls still have key bull themes in place

GENERAL: All things considered, the copper market was fortunate to have rejected the initial lows and recover to the vicinity of the prior session's close yesterday. However with the World Bureau of Mineral Statistics (WBMS) yesterday suggesting that the 2016 calendar year resulted in a worldwide copper surplus of 58,000 tons and Chinese investment demand weak it isn't surprising to see a tempering of bullish sentiment this morning. On the other hand tempering the negative impact of the WBMS 2016 surplus forecast for copper is news that both lead and zinc posted rather significant deficits, as that would seem to suggest global demand for base metals last year was pretty solid and that could project even stronger demand for base metals in the event economic growth improves in 2017 relative to 2016. In the end the primary bull theme for copper remains a series of supply threats, with Freeport overnight stopping work at its Indonesian mines because of a lack of export permits from the government. Another ongoing support for copper prices is talk throughout the trade suggesting that a number of global copper mining concerns will be facing persistent labor threats going forward. In other words, with labor contracts coming due and the precedent for conflict set by the Chilean action that should implant a residual supply side threat. Countervailing the potential for lingering supply threats is a potential demand threat if bird flu in China begins to have a negative impact on economic activity there.



MARKET IDEAS:

The question for the copper trade is the location of value on the charts. The range for February thus far is nearly \$0.21 with the midpoint of the range at \$2.72, and therefore some might suggest copper is a little rich. However, for the bear camp to prevail clearly requires evidence of compromise between the two parties in the Chilean labor dispute and news that Freeport will be granted copper export permits. With the latest news suggesting strike talks will be delayed until this weekend and Freeport actually halting mining activities in Indonesia the bull camp retains an edge. While we still can't rule out a temporary trade down to \$2.6940, a recovery today in the early going back above \$2.7565 could shift the technical picture right back in favor of the bull camp. We favor a buy breaks strategy.

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) 02/16/2017: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The market's close above the 9-day moving average suggests the short-term trend remains positive. The daily closing price reversal up is a positive indicator that could support higher prices. A positive setup occurred with the close over the 1st swing resistance. The next downside target is now at 1213.0. The next area of resistance is around 1242.1 and 1246.7, while 1st support hits today at 1225.3 and below there at 1213.0.

COMEX SILVER (MAR) 02/16/2017: 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 18.153. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 18.082 and 18.153, while 1st support hits today at 17.848 and below there at 17.684.

COMEX PLATINUM (APR) 02/16/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. The outside day up is somewhat positive. Market positioning is positive with the close over the 1st swing resistance. The next downside objective is now at 984.23. The next area of resistance is around 1025.05 and 1031.22, while 1st support hits today at 1001.55 and below there at 984.23.

COMEX COPPER (MAR) 02/16/2017: Momentum studies are rising from mid-range, which could accelerate 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 market tilt is slightly negative with the close under the pivot. The near-term upside target is at 2.77. The next area of resistance is around 2.76 and 2.77, while 1st support hits today at 2.73 and below there at 2.71.

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	1233.7	63.62	62.32	78.45	76.56	1230.20	1231.79	1218.74	1189.08	1188.82
SIAH7	17.965	72.36	67.67	87.87	88.95	17.90	17.78	17.49	16.91	16.87
PLAJ7	1013.30	60.54	60.24	73.37	68.53	1006.90	1011.43	1001.48	966.72	957.79
CPAH7	2.74	59.33	58.81	62.35	64.08	2.76	2.69	2.69	2.61	2.62

Calculations based on previous session. Data collected 02/15/2017

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	1212.9	1225.2	1229.8	1242.1	1246.7
SIAH7	COMEX Silver	17.683	17.847	17.918	18.082	18.153
PLAJ7	COMEX Platinum	984.22	1001.55	1007.72	1025.05	1031.22
CPAH7	COMEX Copper	2.70	2.72	2.74	2.76	2.77

Calculations based on previous session. Data collected 02/15/2017

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