



DAILY METALS COMMENTARY Tuesday February 21, 2017

PRECIOUS METALS COMMENTARY

02/21/17

The bulls should be under pressure to start this week

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD -6.90, SILVER -11.00, PLATINUM -7.40

OUTSIDE MARKET DEVELOPMENTS: Global equities were mixed overnight with the brunt of the markets trading higher. The markets were presented with mostly positive Euro zone economic data this morning but hawkish Fed dialogue from Monday has fostered talk of a US rate hike and that in turn has lifted the Dollar sharply! Euro zone business PMI registered the fastest growth in 5 years while Japanese and German PMI's reached up to the highest level in 3 years! The North American economic schedule will be fairly quiet, with the only data point of note being the "flash" Markit manufacturing PMI number that is expected to see a modest uptick from January's 55.0 reading. There will a busy day of Fed speakers, however, which will include Minneapolis Fed President Kashkari during morning hours while Philadelphia Fed President Harker and San Francisco Fed President Williams will speak during the afternoon. Earnings announcements will include Wal-Mart, Home Depot and Medtronic before the Wall Street opening while Newmont Mining and Whiting Petroleum report after the close.



GOLD / SILVER

While the technical action from the trade at the end of last week was a little discouraging to the bull camp the bull camp has to be somewhat happy with the three day low to high recovery rally of \$28 before the stall in prices last Friday. It goes without saying that an upside breakout in the dollar has forced some longs to exit this morning. It is a little surprising that gold has not been cheered by news from last week that a far right wing candidate was polling well into the French election. While gold prices might see some support from news that Russia increased gold reserves by 1 million ounces in January that news was more than offset by reports that Swiss gold exports to China and Hong Kong dropped last month. In the end, a hot Dollar this morning, hawkish comments from the Fed's Mester (yesterday) regarding the capacity to hike rates if the economy remains at its current pace, news that Greek lenders might be poised to reach an agreement and the looming FOMC meeting minutes release gives the bear camp a large measure of confidence. The Commitments of Traders Futures and Options report as of February 14th for Gold showed Non-Commercial and Non-reportable combined traders held a net long position of 128,735 contracts and that positioning is probably understated due to the rally that took place after the report was measured. The Commitments of Traders Futures and Options report as of February 14th for Silver showed the Non-Commercial and Non-reportable combined traders held a net long position of 98,957 contracts.

PLATINUM

April platinum has failed at the \$1,000 level on its charts overnight despite news from Anglo-American PLC that they were reducing their 2017 production forecasts. The market also doesn't seem to care that platinum derivative holdings have now reached up to the highest level since November 2015! Palladium derivative holdings continue to hold near their lowest levels since 2011. Clearly chart action in platinum and palladium presents a bearish environment this morning and that could set the stage for some stop loss follow through selling on the downside later today. The Commitments of Traders Futures and Options report as of February 14th for Platinum showed Non-Commercial and Non-reportable combined traders held a net long position of 44,581 contracts but we wouldn't consider the market to be particularly overbought until the net spec and fund long approaches 60,000 contracts. The Commitments of Traders Futures and Options report as of February 14th for Palladium showed Non-Commercial and Non-reportable combined traders held a net long position of 17,629 contracts but in our opinion an overbought condition isn't seen until the net spec and fund long is above 20,000 contracts.

TODAY'S MARKET IDEAS:

The question for the gold trade today is how far will prices decline in reaction to the noted upside breakout in the dollar? Initial support in April gold is seen at \$1,225 with an uptrend channel support line seen down at \$1,220.90. With favorable international economic data overnight and heightening US rate hike fears for next month it could be difficult to keep money in gold and silver. The initial liquidation wave could be accelerated in the event that the March dollar index manages to rise above the February 15th spike high of 1.0175. While the uptrend channel in March silver has been very impressive with its uniformity, damage early today temporarily calls the bull case into question. Initial uptrend channel support is seen down at 17.80 and then support isn't seen until 17.73.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

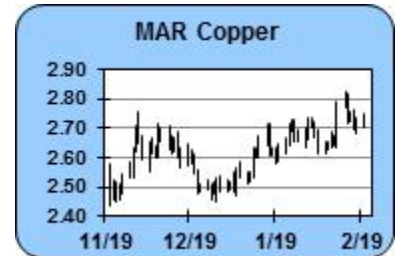
None.

COPPER COMMENTARY

02/21/17

Several supply issues should underpin prices against \$ action

GENERAL: While the copper market forged yet another lower low for the move toward the end of last week, the market has able to reject those losses as if some measure of value was found around the \$2.70 level. It was however surprising to see copper prices under pressure at the end of last week considering ongoing physical supply disruptions of copper concentrate from Indonesia and ongoing strike action in Chile. From Indonesia Freeport has quantified that a month of lost exports (due to permit problems) has the impact of holding back 70 million pounds of copper concentrates and that should be supportive! Furthermore, as of this writing the two parties in the Chilean strike were holding discussions on how to end the 13 day strike. However, the unions were reportedly blocking access to the strike ridden facility to non-union workers and the company said no discussions would take place unless access to the mine was allowed. Another issue that might lend some minor support to copper is news that copper production in Peru failed to "grow" as much as expected in December. However, Production in Peru was still up 13% and that leaves more copper on the world market. The Commitments of Traders Futures and Options report as of February 14th for Copper showed the Non-Commercial and Non-reportable combined traders held a net long position of 48,084 contracts and that reading might be a bit overstated given the high to low slide from the report mark-off of 4 cents.



MARKET IDEAS:

With the rejection of the sub \$2.70 level last week we now see that level as a fairly important value zone. Uptrend channel support in March copper today comes in at \$2.67 and initial resistance is seen up at 2.7630. In conclusion several supply-side issues are lingering in the headlines, ongoing moderate declines in London metal exchange warehouse stocks have continued and copper futures registered record open interest levels and therefore we have to leave the edge with the bull camp.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 2/7/2017 - 2/14/2017						
	Non-Commercial		Net Position	Commercial		Non-Reportable
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	
Metals						

Copper	44,855	-6,661	-48,083	+6,493	3,229	+169
Gold	110,437	-10,932	-128,736	+9,508	18,298	+1,423
Palladium	16,732	+798	-17,629	-689	897	-109
Platinum	39,646	-848	-44,582	+810	4,935	+39
Silver	83,864	+6,692	-98,957	-6,385	15,093	-308

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) 02/21/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's short-term trend is positive on the close above the 9-day moving average. The daily closing price reversal down puts the market on the defensive. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside objective is at 1247.6. The next area of resistance is around 1241.1 and 1247.6, while 1st support hits today at 1232.1 and below there at 1229.6.

COMEX SILVER (MAR) 02/21/2017: 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. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside objective is at 18.138. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 18.057 and 18.138, while 1st support hits today at 17.933 and below there at 17.889.

COMEX PLATINUM (APR) 02/21/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is 993.63. The next area of resistance is around 1014.65 and 1024.62, while 1st support hits today at 999.15 and below there at 993.63.

COMEX COPPER (MAR) 02/21/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. 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 pivot swing number is a mildly negative setup. The next downside objective is 2.65. The next area of resistance is around 2.73 and 2.76, while 1st support hits today at 2.68 and below there at 2.65.

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	1236.6	62.49	61.94	79.70	80.73	1234.18	1234.53	1221.27	1192.35	1189.62
SIAH7	17.995	71.83	67.85	89.10	90.00	17.99	17.88	17.59	16.95	16.92
PLAJ7	1006.90	53.80	56.33	67.77	61.22	1008.70	1011.26	1003.23	969.88	960.37
CPAH7	2.70	52.34	54.25	58.83	54.20	2.73	2.71	2.70	2.62	2.62

Calculations based on previous session. Data collected 02/17/2017

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	1229.6	1232.1	1238.6	1241.1	1247.6
SIAH7	COMEX Silver	17.888	17.932	18.013	18.057	18.138
PLAJ7	COMEX Platinum	993.62	999.15	1009.12	1014.65	1024.62
CPAH7	COMEX Copper	2.65	2.67	2.70	2.73	2.76

Calculations based on previous session. Data collected 02/17/2017

Data sources can & do produce bad ticks. Verify before use.

****This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.*