



## PRECIOUS METALS COMMENTARY

02/23/17

### Gold and silver bulls dodged a Fed bullet yesterday

#### OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

**GOLD +5.80, SILVER +2.50, PLATINUM -2.60**

**OUTSIDE MARKET DEVELOPMENTS:** Global equity markets were mixed overnight with Asian/Pacific Rim and Russian markets weaker while early European and US markets were positive. The Asian session was relatively quiet with a January reading on the Japanese leading economic indicators which came in at 104.8 down from 105.2. The European session was highlighted by fourth quarter German GDP that showed some improvement but that was offset by a slightly lower than targeted German GfK Consumer Confidence result. December Italian retail sales were expected to hold steady but instead they fell 0.5 versus a forecasts of +0.2%. The North American session will start out with initial jobless claims that are forecast to see a modest uptick from the previous 239,000 reading. The Chicago Fed's January national activity index is expected to see a slight downtick from December's 0.14 reading. The Kansas City Fed's February manufacturing index will be released later in the morning. Atlanta Fed President Lockhart will speak during morning US trading hours while Dallas Fed President Kaplan will speak during the afternoon. Earnings announcements will include Vale, Apache and Hormel Foods before the Wall Street opening while Baidu, Hewitt Packard and Intuit report after the close.



### GOLD / SILVER

Like a number of markets, gold and silver waffled around both sides of unchanged ahead of the FOMC meeting minutes release yesterday, and that shows the markets sensitivity to US Fed policy and the potential action in the Dollar. Gold, silver and the PGM complex might see some modest support from favorable Chinese growth forecasts from the Chinese central bank as precious metals demand from China and India are the most critical marginal demand markets in the world. However, both gold and silver continue to stand up to the residual pressure of the Dollar. The gold market is also generally discounting a lack of inflows in daily gold ETF holdings recently and that lack of interest seems to be mirrored in the futures where prices have basically tracked sideways for 3 weeks. Another issue that might be set to dog the bull camp is a general pattern of declining gold trading volume on the current sideways consolidation pattern. In the end, the FOMC meeting minutes are past and the Dollar wasn't able to hold or extend all of this week's gains and that could help both gold and silver respect close-in consolidation low support. Some traders have noted that corrections since the December 2016 low have been four days in duration, but that would project further sloppy action until Friday. It should also be noted that gold appears to be "coiling" as if a fresh trend decision is at hand!

### PLATINUM

One might've expected the PGM complex to have benefited more from a very strong US home sales result yesterday and one might also have expected platinum and palladium to have benefited from the latest round of new all-time highs in stocks. However, the PGM complex isn't exactly tracking positively off stories that would seem to justify improved demand expectations as the markets this morning are tracking weaker despite positive Chinese growth stories overnight. An issue that might keep a lid on platinum prices this week is a forecast from Goldman Sachs that platinum prices would be \$975 to \$1,000, as that price range sits directly on the current market. Fortunately for platinum bulls, the market has been able to flesh out some semblance of consolidation value just below \$1,000 on the charts. Unfortunately for palladium bulls, the charts look negative from a new high and reversal pattern in the prior trading session but on the recent slide from the highs open interest has declined and the biggest volume day occurred on a rejection of a new low and recovery back into positive territory. Therefore it would appear that palladium might have found some value at the \$760.10 level.

### **TODAY'S MARKET IDEAS:**

All things considered, the gold and silver markets have held up impressively in the face of Fed suggestions that rates might need to rise "fairly soon". Fortunately, the Dollar was unable to sustain benefits from the Fed hints yesterday and that should take some of the liquidation pressure/threat off the gold market. However, unless the Dollar falls sharply we have to think that more volatile price action on both sides of the \$1,238 level in April gold might be in order. Traders might consider using a breakout system with April gold with the upside buying level seen at \$1,245.50 and the downside selling level seen at \$1,230.

### **NEW RECOMMENDATIONS:**

None.

### **PREVIOUS RECOMMENDATIONS:**

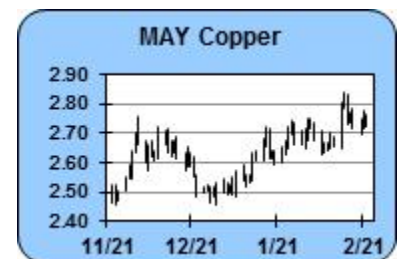
None.

## **COPPER COMMENTARY**

**02/23/17**

### **Temporary corrective action but fundamentals remain bullish**

**GENERAL:** The copper market waffled around both sides of unchanged Wednesday, but spent the majority of the trading session in negative territory and it has started the Thursday trade in a damaged posture. Periodic weakness in crude oil, strength in the dollar and the lack of fresh definitive news from the supply-side issues is probably prompting some of the long liquidation this week. While the market should have seen support from news yesterday that the International Copper Study Group (ICSG) had pegged the world refined copper market to be in a 9,000 ton deficit in the month of November, some traders were disappointed that the deficit figure wasn't larger. With a government prompted meeting on Monday failing to resolve the differences in the Chilean strike and the company suggesting it would not hire replacement workers for at least 30 days that supply issue looks to continue in the near term. In fact, production at the Escondida mine was thought to be on hold for at least two weeks. Issues that should lend some support to copper prices are favorable Chinese Central bank economic projections and a very definitive pattern of declining LME copper stocks!



### **MARKET IDEAS:**

From a technical perspective, the path of least resistance in March copper looks to remain down today unless a significant risk on vibe returns, the dollar relents and or Chilean labor negotiations and the strike look to remain in place through the coming weekend. As we suggested in the prior trading session, traders cannot rule out the prospect of at least a temporary slide back below \$2.70 but with so many supply threats still in place, any probes below \$2.70 should be short-lived. Buying support for aggressive traders might be seen down at \$2.6780.

### **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) 02/23/2017: The daily stochastics gave a bearish indicator with a crossover down. Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially

if near term support is penetrated. The market's short-term trend is positive on the close above the 9-day moving average. The market has a slightly positive tilt with the close over the swing pivot. The next downside target is 1227.6. The next area of resistance is around 1244.4 and 1248.3, while 1st support hits today at 1234.0 and below there at 1227.6.

COMEX SILVER (MAY) 02/23/2017: Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The market's short-term trend is positive on the close above the 9-day moving average. The market has a slightly positive tilt with the close over the swing pivot. The next downside objective is now at 17.928. The next area of resistance is around 18.160 and 18.207, while 1st support hits today at 18.020 and below there at 17.928.

COMEX PLATINUM (APR) 02/23/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially 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 has a slightly positive tilt with the close over the swing pivot. The next downside objective is 995.08. The next area of resistance is around 1011.45 and 1014.87, while 1st support hits today at 1001.55 and below there at 995.08.

COMEX COPPER (MAY) 02/23/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close above the 9-day moving average is a positive short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 2.71. The next area of resistance is around 2.76 and 2.78, 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
<b>METALS COMPLEX</b>										
GCAJ7	1239.2	57.35	59.13	80.01	78.05	1238.23	1234.43	1225.81	1196.25	1190.66
SIK7	18.090	65.30	64.52	87.98	85.74	18.09	18.00	17.78	17.08	17.03
PLAJ7	1006.50	53.42	56.05	59.33	51.18	1008.55	1008.94	1005.91	973.68	962.55
CPAK7	2.74	55.83	56.54	59.01	57.66	2.74	2.75	2.71	2.64	2.64

Calculations based on previous session. Data collected 02/22/2017

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	1227.5	1234.0	1237.9	1244.4	1248.3
SIK7	COMEX Silver	17.927	18.020	18.067	18.160	18.207
PLAJ7	COMEX Platinum	995.07	1001.55	1004.97	1011.45	1014.87
CPAK7	COMEX Copper	2.70	2.72	2.74	2.76	2.78

Calculations based on previous session. Data collected 02/22/2017

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