



DAILY METALS COMMENTARY Friday February 24, 2017

PRECIOUS METALS COMMENTARY

02/24/17

There is no reason to take control away from the bulls today

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):

GOLD +6.30, SILVER +13.00, PLATINUM +10.80

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were mostly weaker but the Chinese markets bucked the trend with modest gains. While the Asian session was relatively quiet, the European session started out with a February French consumer confidence reading that held steady with January's reading. February readings on Italian business sentiment improved while consumer confidence showed softening. A private survey of UK mortgage applications showed a slight contraction while lending to non-financial companies reached a 12 month high. The North American session will start out with January Canadian CPI which is forecast to see a modest uptick from December's +1.5% year-over-year rate. January new home sales are expected to see a moderate increase from December's 536,000 annualized rate. A private survey of February consumer sentiment is forecast to see a modest uptick from the previous 95.7 reading. Earnings announcements will include Royal Bank of Canada, Public Service Enterprise Group and Magna International before the Wall Street opening.



GOLD / SILVER

Some will suggest that yesterday's large range up move and the highest trade since November 11th in April gold was primarily the result of developing weakness in the US dollar, but we also think that ongoing tempering of a March rate hike expectation, rising political concerns toward the French election and renewed political uncertainty from the US Administration are also adding into the bullish tide. In fact, comments from the US President labeling China as a Grand Champion Currency manipulator rekindles fears of a trade war. Some might even go as far as suggesting that the recent extension of dovish vibes from the Fed this week could give green shoots of inflation the capacity to actually take root. However, with the significant upside breakout yesterday and follow through gains again this morning, one might assume a measure of ongoing technical short covering action is due. With April gold moving back above the 50 and 100 day moving averages that could bring in the 200 day moving average up at \$1,271.30 as a target. With the strength in prices this week, the bull camp might need to see gold derivative holdings begin to rise consistently again to show that buying interest is being seen beyond futures. Gold derivative holdings increased by 54,341 ounces overnight to stand at 52.1 million ounces.

PLATINUM

With a huge range up move on Thursday and a temporary rise above the 200 day moving average at \$1,017.80 April platinum could be poised to take out the early February high up at \$1,032.10. It is possible that the PGM complex will see some strength off news that the Zimbabwean government was poised to seize 27,948 hectares of mining real estate from a private concern as that highlights a preexisting effort to nationalize mining in the country. In short, the industry sees a takeover by the Zimbabwean government as a potential disruption of supply or a sign of less efficiency in obtaining supply. Overnight platinum derivative holdings increased by 2,618 ounces while palladium holdings were unchanged. The palladium market continues to be the weaker component with the overall chart pattern somewhat vulnerable. However, uptrend channel support rises today to \$760.80.

TODAY'S MARKET IDEAS:

With a definitive breakout and a large range up move yesterday and additional follow through today, the April gold contract seems to have left behind the November through early February trading range to the upside. At least in the near term the \$1,250 level could become a key pivot point support level with the top of the uptrend channel

today seen up at \$1,263.60. We do think that gold will need stepwise losses in the dollar in order to continue the rally pattern straightaway. The May silver contract has managed to launch itself well above the 200 day moving average which comes in today at \$18.10. The top of the uptrend channel today in May silver is pegged at \$18.43.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

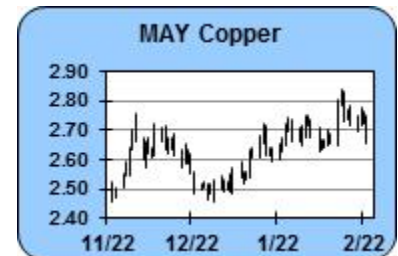
None.

COPPER COMMENTARY

02/24/17

Vulnerable status following Chinese import decline

GENERAL: Apparently the copper market was unnerved yesterday as a result of hints from the Chinese housing minister suggesting that China might be poised to stabilize their property market. The decline Thursday was the largest in nearly 5 months and that probably sparked several waves of additional technical stop loss selling but that action might put the market in a better technical condition. One might also suggest the lack of significant fresh news from the Chilean strike front and from the Indonesian permit front this week has prompted some bulls to lose their resolve. Issues that should underpin copper prices are a very significant and ongoing pattern of LME copper stock declines, a weekly decline in Shanghai copper stocks and strength in Chinese spot copper prices at the start of this year. Potential major negatives for copper this morning is news that Chinese refined copper imports for the month of January declined by 14.1% relative to year ago levels but that news was countervailed by a decline in January Japanese copper exports of 36.9%.



MARKET IDEAS:

Fears of slowing in the Chinese real estate sector and a decline in Chinese January refined copper imports overnight could have left copper vulnerable to start this morning but prices have found some support from news that both LME and Shanghai copper stocks declined. While one can't discount the possibility of slowing in the Chinese real estate sector because of Chinese government actions we would suggest ongoing infrastructure demand, electrical household appliance demand and most specifically heating and air conditioning demand in existing residences are just as important as demand from new construction. Near term support in the May copper contract is now seen at the quasi-double low of \$2.6525. In order to shift the technical tide away from the bear track might require May copper to regain \$2.7060 to effectively shift the bias away from the bear tilt.

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) 02/24/2017: The crossover up in the daily stochastics is a bullish signal. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market's close above the 2nd swing resistance number is a bullish indication. The next upside target is 1263.0. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 1258.0 and 1263.0, while 1st support hits today at 1242.2 and below there at 1231.4.

COMEX SILVER (MAY) 02/24/2017: 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 close above the 9-day moving average suggests the short-term trend remains positive. There could be more upside follow through since the market closed above the 2nd swing resistance. The next downside objective is now at 17.904. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 18.382 and 18.473, while 1st support hits today at 18.098 and below there at 17.904.

COMEX PLATINUM (APR) 02/24/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. A positive signal was given by the outside day up. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside target is 987.55. The next area of resistance is around 1024.09 and 1033.94, while 1st support hits today at 1000.90 and below there at 987.55.

COMEX COPPER (MAY) 02/24/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside objective is 2.59. The next area of resistance is around 2.70 and 2.77, while 1st support hits today at 2.61 and below there at 2.59.

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	1250.1	70.39	67.13	81.44	84.30	1240.68	1236.06	1229.16	1198.72	1191.78
SIK7	18.240	71.60	68.16	87.68	87.08	18.10	18.05	17.83	17.12	17.05
PLAJ7	1012.50	58.20	58.40	55.91	50.76	1006.80	1007.44	1007.32	975.28	964.17
CPAK7	2.65	40.48	46.00	53.69	43.05	2.72	2.75	2.71	2.64	2.64

Calculations based on previous session. Data collected 02/23/2017

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	1231.4	1242.2	1247.2	1258.0	1263.0
SIK7	COMEX Silver	17.903	18.097	18.188	18.382	18.473
PLAJ7	COMEX Platinum	987.55	1000.90	1010.75	1024.09	1033.94
CPAK7	COMEX Copper	2.58	2.60	2.67	2.70	2.77

Calculations based on previous session. Data collected 02/23/2017

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