



## DAILY METALS COMMENTARY Monday February 27, 2017

### PRECIOUS METALS COMMENTARY

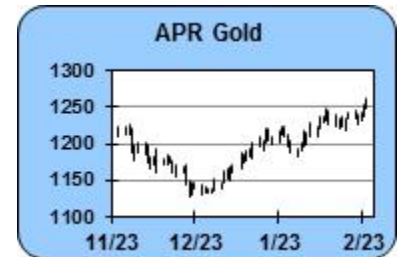
02/27/17

**The bulls retain an edge but upside momentum looks to wane**

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

**GOLD -2.50, SILVER +0.90, PLATINUM +0.60**

**OUTSIDE MARKET DEVELOPMENTS:** Global equity markets were mixed overnight with Asian stocks generally weaker and western markets generally higher. The Asian session was relatively quiet, while the European session was highlighted by a series of February Euro zone sentiment readings that came in mixed. Euro zone February Consumer Confidence worsened while Industrial Confidence and Business Climate improved. The North American session will start out with January durable goods which are forecast to see a sizable uptick from December's -0.5% reading and climb into positive territory. January pending home sales are forecast to see a modest downtick from December's +1.6% reading. The Dallas Fed's February manufacturing business index is expected to see a moderate decline from January's 22.1 reading. Dallas Fed President Kaplan will speak during late morning US trading hours. Earnings announcements will include American Tower and Sasol before the Wall Street opening while Priceline.com and EOG Resources report after the close.



### GOLD / SILVER

In addition to extremely bullish chart action last week, gold and silver also benefited by developing weakness in the dollar, a slight escalation of inflation prospects and renewed political anxiety from France and the US. With the 3 1/2 month high in gold prices and a rise above a potentially critical \$1,250 level in gold at the end of last week, it is possible that upcoming press coverage could pull in additional investment demand to the precious metals complex. However, the coming week promises to be an extremely volatile week for precious metals and other financial markets with a key presidential speech to Congress expected to put forth a number of controversial policy initiatives and therefore traders should expect to see wild swings in safe haven interest markets. In a series of negative developments Australian 2016 gold production reached up to the highest level since 1999 and Hong Kong gold exports to China for January fell by nearly 20 tons relative to December figures. With the April gold contract from the December low to the high on Friday up nearly \$134 an ounce and May silver up \$2.65 an ounce, the markets have become technically overbought. From a technical perspective, the latest wave up was accompanied by a rise in gold open interest which might suggest that buyers have not balked at paying up for new positions at progressively higher prices. In fact, the Commitments of Traders Futures and Options report as of February 21st for Gold showed the Non-Commercial and Non-reportable combined traders held a net long position of only 144,909 contracts and that isn't what we would call excessive. The Commitments of Traders Futures and Options report as of February 21st for Silver showed Non-Commercial and Non-reportable combined traders held a net long position of 101,734 contracts. In a somewhat negative note for silver, Chinese January silver imports declined by nearly 20%.

### PLATINUM

Like the gold and silver markets, the platinum market made a very impressive trade at the end of last week but fell short of a five month high by just \$0.10. However April platinum early this morning managed to forge the upside breakout and it should be noted that the rally of the last several trading sessions was forged on an increase in open interest. With the Commitments of Traders Futures and Options report as of February 21st for Platinum showing Non-Commercial and Non-reportable combined traders held a net long position of 44,584 contracts, and those readings understated due to the rally forged after the report was measured, we suspect that platinum is becoming overdone technically. In a very negative development, Chinese January platinum imports were down by 49% from the prior month with palladium January imports into China were down by 46%. It is clear that platinum

continues to outperform palladium and that is also represented by a much larger spec and fund long. However, without a severe macroeconomic setback or a sharp recovery in the US dollar, it is difficult to take control of the trend away from the bull camp in platinum. The Commitments of Traders Futures and Options report as of February 21st for Palladium showed Non-Commercial and Non-reportable combined traders held a net long position of 17,575 contracts.

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

The path of least resistance remains up in the gold market with the \$1,250 level becoming a critical pivot point. Uptrend channel support in April gold is seen at \$1,242 and the top of the trend today is seen up at \$1,262.50. Top of the uptrend channel in May silver isn't seen until \$18.84 and support today moves up to \$18.28. Our guess is flight to quality, safe haven and weakness in the dollar will generally continue during the first trading session of the week, but that a major pivot point decision could be seen from the president's first speech to Congress. In other words, there will be no shortage of two-sided volatility this week. Those that are long should consider the purchase of puts for protection and/or tighten profit stops before Tuesday afternoon.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

## **COPPER COMMENTARY**

**02/27/17**

### **Some value has been found on the charts**

**GENERAL:** Perhaps May copper found some value Friday around the \$2.65 level double low area on the charts. Limiting the market from a more significant recovery at the end of last week was news of negative January refined copper imports into China, news that Peruvian production pushed it to the world's number two producer category and a lack of fresh confirmation of how long current supply disruptions will extend. However a high to low February break of \$0.18 recently should have balanced the overbought condition seen into the February high. With open interest and volume also falling from the February high that should give further credence to the idea that the market has corrected the overbought condition from the February highs. Until the twin supply threats off the strike and the Indonesian export permit problem are solved, traders need to be careful pressing the short side of this market. While the International Copper Study group thinks that global mine output is capable of increasing by 2.5% out to 2020 they also pegged the world to be in a 90,000 ton deficit at the end of November. The Commitments of Traders Futures and Options report as of February 21st for Copper showed the Non-Commercial and Non-reportable combined traders held a net long position of 47,489 contracts but that positioning is probably overstated.



#### **MARKET IDEAS:**

We think the May contract has fairly solid support at \$2.6525. In fact, declining open interest on the recent break might suggest the trade isn't that interested in pressing the short side. However, those that get long for a bounce probably have to risk those positions to \$2.6310. Uptrend channel support today is seen at \$2.6575. Initial resistance to start the trading week is seen at \$2.7140.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

Commitment of Traders - Futures and Options - 2/14/2017 - 2/21/2017

Non-Commercial

Commercial

Non-Reportable

	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
<b>Metals</b>						
<b>Copper</b>	42,406	-2,449	-47,489	+594	5,083	+1,854
<b>Gold</b>	129,253	+18,816	-144,909	-16,173	15,656	-2,642
<b>Palladium</b>	16,673	-59	-17,576	+53	902	+5
<b>Platinum</b>	39,752	+106	-44,584	-2	4,832	-103
<b>Silver</b>	86,783	+2,919	-101,734	-2,777	14,951	-142

## 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) 02/27/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's short-term trend is positive on the close above the 9-day moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 1268.8. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 1264.0 and 1268.8, while 1st support hits today at 1251.6 and below there at 1244.0.

COMEX SILVER (MAY) 02/27/2017: A bullish signal was given with an upside crossover of the daily stochastics. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The close above the 9-day moving average is a positive short-term indicator for trend. The market setup is supportive for early gains with the close over the 1st swing resistance. The next upside target is 18.615. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 18.520 and 18.615, while 1st support hits today at 18.270 and below there at 18.115.

COMEX PLATINUM (APR) 02/27/2017: The crossover up in the daily stochastics is a bullish signal. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close above the 9-day moving average is a positive short-term indicator for trend. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside target is at 1046.17. The next area of resistance is around 1039.25 and 1046.17, while 1st support hits today at 1018.15 and below there at 1003.98.

COMEX COPPER (MAY) 02/27/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. 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 2.63. The next area of resistance is around 2.71 and 2.73, while 1st support hits today at 2.67 and below there at 2.63.

## 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	1257.8	73.61	69.42	83.23	86.81	1245.35	1238.49	1232.59	1201.22	1192.79
SIK7	18.395	77.52	72.13	88.08	88.89	18.17	18.09	17.90	17.17	17.08
PLAJ7	1028.70	68.21	64.54	58.19	63.02	1012.35	1009.28	1009.24	977.69	965.86
CPAK7	2.68	47.58	50.40	49.11	39.63	2.71	2.74	2.71	2.64	2.64

Calculations based on previous session. Data collected 02/24/2017

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	1244.0	1251.6	1256.4	1264.0	1268.8

SIK7	COMEX Silver	18.115	18.270	18.365	18.520	18.615
PLAJ7	COMEX Platinum	1003.97	1018.15	1025.07	1039.25	1046.17
CPAK7	COMEX Copper	2.63	2.66	2.68	2.71	2.73

**Calculations based on previous session. Data collected 02/24/2017**

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

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