



DAILY METALS COMMENTARY

Tuesday February 28, 2017

PRECIOUS METALS COMMENTARY

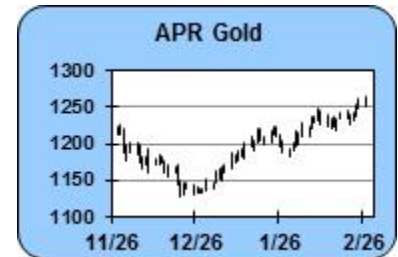
02/28/17

Expect long profit taking to pull prices down ahead of Speech

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD -4.70, SILVER -7.70, PLATINUM -7.40

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were generally lower overnight. The Asian session featured a series of key Japanese economic data points, with January industrial production showing a modest decline and Japanese retail sales forging a third straight month of gains. The European session started out with a stronger than expected February Swiss KOF leading indicator that reached its highest level since 2013. January French CPI came in softer than expected, while Italian CPI readings were expected to see minimal upticks from their December numbers. The North American session will start out with a reading on fourth quarter gross domestic product that is forecast to have a modest uptick from the previous +1.9% annualized rate. January wholesale inventories are expected to see a modest decline from December's 1.0% reading but remain in positive territory. The December Case-Shiller home price index is forecast to hold steady with November's 5.3% year-over-year rate. The Conference Board's February reading on consumer confidence is expected to see a minimal downtick from January's 111.8 reading. The February Chicago PMI and Richmond Fed manufacturing indices will be released during morning US trading hours. Fed speakers will include Philadelphia Fed President Harker, San Francisco Fed President Williams and St. Louis Fed President Bullard during afternoon US trading hours. Earnings announcements will include Bank of Nova Scotia, Bank of Montreal, Sempra Energy and Target before the Wall Street opening while Salesforce.com and Palo Alto Networks report after the close.



GOLD / SILVER

The focus of market's attention has shifted to President Trump's speech in front of Congress tonight, and gold traders should brace for volatility this week, as the prospect of significant risk-on is seen if the speech focuses on pro-growth issues. However, if the speech goes too far afield and gets into the weeds with respect to a wide range of political hot buttons and the pro-growth issues are lost in the shuffle, it could rekindle safe haven buying of gold. With the early rally on Monday stalling out after April gold and May silver traded to their highest levels since November 11th, the resolve of the bull camp might be undermined into the speech. On the other hand, the bulls see active spending hikes for defense and infrastructure, which leaves some traders seeing plenty of reasons to anticipate re-inflation psychology for the longer-term. The bears are concerned that emphasis on a border adjustment tax could spark a rally in the US dollar that in turn might pressure the precious metals. In the early action today, gold and silver might see some pressure in the wake of US scheduled data that is generally expected to show positive results, as that in turn might provide a temporary bid to the Dollar. At least to start the April gold contract looks to have a layer of support on the charts at the \$1,250 level.

PLATINUM

With open interest increasing to the highest level since October and a continued advance in spot platinum prices to their highest levels since September, the short-term trend looks to remain up. In fact the rally on Monday took place in the face of news that China platinum imports for January were down 49% from December. However, some of the bullishness following the action yesterday morning was tempered by the failure to hold the brunt of the rally in the prior trading session, as it would appear that some longs were banking profits rather than risk the potential increase in volatility of the coming 24 hours. In the end an expanding global economy continues to provide underlying support. While the market managed to close higher on Monday, we should note that April platinum closed sharply down from the highs, and we should also note that a 50% correction of the August 10th

high to the December 15th low comes in at \$,1046. Short-term support for April platinum shifts back to the \$1,016.20-\$1,011.20 zone.

TODAY'S MARKET IDEAS:

The hook reversal on Monday is a slight negative from a technical perspective, but with low volume and rising open interest, the short-term trend remains up. With plenty of uncertainty ahead of the President's address and political friction with Iran and North Korea, there seems to be enough fuel to keep the market in a short-term uptrend. The 50% mark of the July to December break leaves \$1,257.30 as a key pivot point in April Gold. Close-in support is at \$1,246.80 with \$1,288 as next key resistance. A 50% retracement of the July to December break for May silver leaves \$18.364 as a key pivot point in the trade today. Close-in support is at \$18.212 with \$18.98 as next key resistance.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COPPER COMMENTARY

02/28/17

Choppy action today as risk-on sentiment is on hold

GENERAL: The copper market is having difficulty sustaining last Friday's recovery move, with prices chopping sideways in a manner that clearly shows a lack of bullish resolve by the trade. With no fresh news from the Escondida strike in Chile or fresh headlines regarding permits for the Grasberg mine in Indonesia, supply concerns should continue to be a background support issue for prices. With LME exchange copper stocks falling to their lowest levels since last August, the trade should have the confidence to discount the sizable increase in Shanghai exchange copper stocks since the middle of December. Seeing LME copper stocks continue to fall should facilitate talk of positive demand outside of China, which is usually the main demand focus for the copper trade.



MARKET IDEAS:

May copper looks to have decent support around the \$2.6530 level, but we would expect to see an increase in volatility overnight tonight in the wake of President Trump's speech. The market will get an added measure of volatility from Chinese manufacturing PMI numbers released early Wednesday and perhaps that news will set the upcoming trend. In the upcoming eight hours of trade, we give a slight edge to the bear camp. Uptrend channel support today is seen at \$2.6640 while near-term resistance will come in at \$2.7300.

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) 02/28/2017: The daily stochastics have crossed over down which is a bearish indication. Momentum studies are trending lower from high levels which should accelerate a move lower on a break below

the 1st swing support. The market's close above the 9-day moving average suggests the short-term trend remains positive. The daily closing price reversal down is a negative indicator for prices. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 1242.1. The next area of resistance is around 1259.4 and 1268.8, while 1st support hits today at 1246.0 and below there at 1242.1.

COMEX SILVER (MAY) 02/28/2017: 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. The daily closing price reversal down is a negative indicator for prices. It is a slightly negative indicator that the close was under the swing pivot. The next upside target is 18.623. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 18.432 and 18.623, while 1st support hits today at 18.158 and below there at 18.074.

COMEX PLATINUM (APR) 02/28/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside target is at 1054.12. The next area of resistance is around 1039.95 and 1054.12, while 1st support hits today at 1019.45 and below there at 1013.13.

COMEX COPPER (MAY) 02/28/2017: 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. The close over the pivot swing is a somewhat positive setup. The next downside target is 2.66. The next area of resistance is around 2.71 and 2.72, while 1st support hits today at 2.68 and below there at 2.66.

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	1252.7	66.76	65.33	83.16	82.78	1248.93	1241.53	1234.92	1203.82	1193.78
SIK7	18.295	78.03	72.50	88.28	88.42	18.26	18.15	17.94	17.22	17.11
PLAJ7	1029.70	68.62	64.81	60.45	65.01	1018.23	1012.52	1011.08	979.97	967.61
CPAK7	2.69	47.94	50.62	44.91	36.51	2.70	2.73	2.71	2.65	2.64

Calculations based on previous session. Data collected 02/27/2017

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	1242.0	1246.0	1255.4	1259.4	1268.8
SIK7	COMEX Silver	18.073	18.157	18.348	18.432	18.623
PLAJ7	COMEX Platinum	1013.12	1019.45	1033.62	1039.95	1054.12
CPAK7	COMEX Copper	2.65	2.67	2.69	2.71	2.72

Calculations based on previous session. Data collected 02/27/2017

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