



## DAILY METALS COMMENTARY Friday March 03, 2017

### PRECIOUS METALS COMMENTARY

03/03/17

**The bears retain control from the threat of hawkish Fed news**

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

**GOLD -5.40, SILVER -2.30, PLATINUM +2.10**

**OUTSIDE MARKET DEVELOPMENTS:** Global equity markets were all lower overnight with all the markets down less than 1%. The Asian session started out with a series of key Japanese data points which were highlighted by weaker than expected readings for January household spending. The January Japanese national CPI showed a minimal uptick to a 0.4% year-over-year rate, while their January unemployment down ticked to a 3.0% reading. The February Caixin Chinese services PMI was expected to see a modest increase from January's 53.1 reading but instead the market was presented with a dip to 52.6. The European session started out with Eurozone services and composite PMI readings that were forecasted to hold steady with their previous readings but they instead managed to reach the highest levels in 6 years! Fourth quarter Italian GDP held steady with the previous reading. January Euro zone retail sales were forecast to see a modest improvement from December's reading but instead they fell for the 3rd straight month. The North American session will be highlighted by the ISM non-manufacturing index which is expected to hold steady with January's 56.5 reading. There will be a busy day of Fed speeches which will include Chicago Fed President Evans and Richmond Fed President Lacker speaking during morning US trading hours, Fed Governor Powell speaking at midday and Fed Vice Chair Fischer speaking during early afternoon hours. However, it may be the comments of Fed Chair Yellen speaking at a luncheon in Chicago that might receive the most market scrutiny given the hawkish shift in Fed rhetoric in recent days. Earnings announcements will include Big Lots before the Wall Street open.



### GOLD / SILVER

The bull camp doesn't have to look far for reasons behind this week's washout in gold and silver prices. At the top of the list is the latest wave of US rate hike developments followed closely by the highest dollar trade yesterday since January 11th. The fact that the silver market ranged down sharply Thursday and in the process damaged a very uniform and impressive uptrend pattern has to discourage a number of would-be buyers in the precious metals complex. In fact, gold and silver this morning have extended the downside thrust with lower lows and that should leave the bear camp emboldened. However, traders should not discount the resiliency of gold and silver if the dollar relents or some other safe haven issue surfaces. In the near term, traders should be looking to possible downside support levels on the charts below this week's lows as the fundamentals clearly favor the sellers. Indian import data for January showed a noted decline from the same period last year while Chinese gold import demand for December ended 2016 with a very strong result and therefore the net physical demand tilt this morning is mixed. With the technical condition of the charts also favoring the bear camp today, we have to think the bear camp could be capable of sending prices down for a very poor finish to the trading week. In order to stall the slide in gold and silver prices today probably requires a definitive reversal in the Dollar and or an inspired wave of bargain hunters willing to bet on reflation. The world's largest gold ETF saw their holdings rise by 1.78 tonnes on Thursday, and they have now seen their first back-to-back daily increase since early February.

### PLATINUM

It has to be a little discouraging for the bull camp that platinum prices yesterday did not benefit from news that the World Platinum Investment Council was planning to launch an ETF in India as well as a platinum-based coin fund in Europe and China. However, spillover pressure from gold and silver is difficult to overcome in the smaller PGM markets. It also goes without saying that unrelenting strength in the dollar and escalating fears of a US rate hike

are not a good environment for being long platinum and palladium. Like gold and silver, traders should look to even lower consolidation low support on the charts for near term downside targeting. In April platinum, near term downside targeting might be \$969.20 or it could be all the way down at \$950. While June palladium could see consolidation low support of \$763.30 hold up prices today, but it could be difficult for the market to stand up to the drag from gold, silver and platinum.

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

As suggested already, the path of least resistance in gold and silver looks to remain down with fundamental and technical factors both expected to weigh on prices again today. With a 2 1/2 month old uptrend channel support line in April gold violated yesterday, it is possible that the 50 day moving average down at \$1203.80 could be a target. In fact, short-term technical indicators like stochastics have only recently shifted into sell modes and those sell signals at very high levels, which many might suggest is a sign that the selling wave has only just begun. A critical pivot point in May silver today is seen at \$17.70 and the 50 day moving average is all the way down at \$17.23.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

## **COPPER COMMENTARY**

03/03/17

### **A slight negative bias despite favorable Euro zone data**

**GENERAL:** Like a number of other industrial commodities, the copper market yesterday was under significant selling pressure and in the process it violated several key support levels the charts. The usual suspects of a rising Dollar, talk of a March rate hike and fears of a potential upcoming build in Shanghai copper stocks weighed on prices. In fact the weekly build in Shanghai copper stocks was rather significant at 23,974 tons for an 8.3% jump but that potentially negative supply development was offset because of an ongoing pattern of declining LME copper stocks. We can't rule out additional long liquidation because of a lack of fresh news from the twin supply issues in Chile and Indonesia. However, the market might see some minor support from news that the Philippines was moving to halt the export of raw ores in an attempt to get the value of domestic processing jobs from its natural resources. With the last commitments of traders positioning report showing a net long in copper of 47,000 contracts, it is not surprising to see increased two-sided volatility in the wake of this week's fundamental events.



#### **MARKET IDEAS:**

The path of least resistance in copper has shifted down with initial targeting in the May contract seen at \$2.6675. The 50 day moving average comes in down at \$2.6440, and that could be a target today if the dollar extends on the upside and a risk off mentality dominates global equity markets. The bear case is heavily dependent upon a lack of news that confirms an extension of production setbacks.

#### **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) 03/03/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The market setup is somewhat negative with the close under the 1st swing support. The next downside target is 1218.3. The next area of resistance is around 1244.8 and 1257.6, while 1st support hits today at 1225.2 and below there at 1218.3.

COMEX SILVER (MAY) 03/03/2017: The daily stochastics gave a bearish indicator with a crossover down. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The close below the 2nd swing support number puts the market on the defensive. The next downside objective is now at 17.164. The next area of resistance is around 18.172 and 18.713, while 1st support hits today at 17.398 and below there at 17.164.

COMEX PLATINUM (APR) 03/03/2017: The market back below the 40-day moving average suggests the longer-term trend could be turning down. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside target is now at 958.55. The next area of resistance is around 1007.59 and 1032.55, while 1st support hits today at 970.60 and below there at 958.55.

COMEX COPPER (MAY) 03/03/2017: The downside crossover of the 9 and 18 bar moving average is a negative signal. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The intermediate trend has turned down with the cross over back below the 18-day moving average. The close below the 1st swing support could weigh on the market. The next downside target is 2.64. The next area of resistance is around 2.71 and 2.76, while 1st support hits today at 2.66 and below there at 2.64.

## 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	1235.0	46.42	52.47	76.47	64.61	1249.43	1246.52	1240.28	1211.37	1197.36
SIK7	17.785	39.89	48.30	82.07	67.05	18.29	18.22	18.06	17.38	17.19
PLAJ7	989.10	37.49	44.28	57.50	43.02	1019.48	1014.80	1013.42	987.26	972.35
CPAK7	2.68	46.15	49.23	38.65	33.69	2.71	2.71	2.72	2.66	2.64

Calculations based on previous session. Data collected 03/02/2017

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	1218.2	1225.1	1237.9	1244.8	1257.6
SIK7	COMEX Silver	17.163	17.397	17.938	18.172	18.713
PLAJ7	COMEX Platinum	958.55	970.59	995.55	1007.59	1032.55
CPAK7	COMEX Copper	2.63	2.65	2.69	2.71	2.76

Calculations based on previous session. Data collected 03/02/2017

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