



DAILY METALS COMMENTARY

Tuesday March 07, 2017

PRECIOUS METALS COMMENTARY

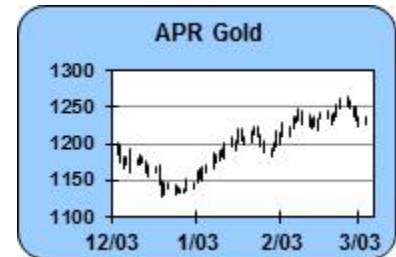
03/07/17

The bear factors outnumber the bull factors today

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD -1.40, SILVER -4.30, PLATINUM -3.00

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were mixed overnight with Pacific Rim stocks and the XETRA DAX managing to gain modestly and the rest of the world under minor pressure. The Asian economic calendar started off with a February reading for Chinese foreign exchange reserves which surprised with an increase back above the \$3 trillion mark. The European session started out with January German factory orders which fell by 7.4% for the biggest monthly decline since 2009. Euro zone GDP was expected to hold steady with the previous +1.7% year-over-year rate and was in fact unchanged from the prior release. The North American session will start out with trade balance data from both the US and Canada. The US January international trade balance is forecast to show an increase in the monthly deficit. The January Canadian International merchandise trade is expected to show a modest decline from December's monthly surplus. The February Canadian Ivey PMI is forecast to show a moderate increase from January's 57.2 reading. Later in the day, US January consumer credit is expected to show a moderate increase from December's reading. Earnings announcements will include Brown Forman and Dick's Sporting Goods before the Wall Street open while H&R Block and Urban Outfitters report after the close.



GOLD / SILVER

After sliding more than \$40 below last week's high, gold started out the new week with a modest comeback but could not sustain upside momentum and closed damaged on Monday. With a fresh downside break out in April gold early today and the lowest price since February 15th the bear camp looks to start the Tuesday trade with an edge. Apparently the market was uninterested in news that scrap gold prices in the UK rose overnight and the market also discounted upbeat Indian jewelry demand forecasts which predicted a recovery in jewelry demand following the note ban implemented by the Indian government. However with muted spot gold demand overnight and news of a recovery in Chinese foreign exchange reserves back above 3 trillion and an outflow from gold derivative holdings there doesn't appear to be a safe haven theme or a strong demand theme operating in the marketplace today. Chinese gold reserves at the end of February were pegged at 59.2 million Troy ounces which is unchanged from the prior month. The world's largest gold ETF saw their holdings fall by 3.81 tonnes on Monday to reach their lowest level since February 10th. With the US dollar showing fresh signs of strength today and a long list of physical commodities under pressure the onus will be on the bull camp to prove it can hold up prices.

PLATINUM

The PGM sector saw divergent price action again on Monday as platinum had an outside-day down to a new 5-week low while palladium gave back early gains and ended up near unchanged price levels. With platinum starting the session today with a fresh downside extension and the lowest price since January 27th it would appear that even more declines are in the offing. However, like gold, the platinum market has seen volume and open interest fall off during the last two weeks slide, and that might suggest that traders aren't exactly rushing in to establish fresh shorts. On the other hand prices can fall sharply without significant volume if buyers refuse to catch a falling knife. With the platinum market into the late February high garnering lift from expectations of improving demand globally, the mixed economic psychology of the past five days is understandably negative to PGM prices. Platinum looks to maintain a tight correlation with equities and perhaps even crude oil prices today and it should continue to be undermined by fears of a US rate hike next week. It should be noted that April platinum closed below its 50 day moving average in the prior trading session and the inability to get back above

\$983.50 today could set the stage for additional lower lows.

TODAY'S MARKET IDEAS:

Given the outside market fundamentals and the damaged charts in gold and silver, we give the bear camp the edge today. In fact, the dollar yesterday rejected a decline to its 50 day moving average and has managed an upside breakout early today which should quickly facilitate further selling in gold and silver. The bull camp has to hope that the Trump administration will threaten North Korea with something beyond financial sanctions as news that the US has sent Japan a missile defense system hasn't sparked much of a response from China yet. In short the gold market will need to see some cause to temper the prospect of a March rate hike or Dollar gains and commodity weakness will probably extend. Next downside targeting in April gold is seen at \$1,218.90, with similar downside targeting in May silver seen at \$17.66 and again at \$17.635.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

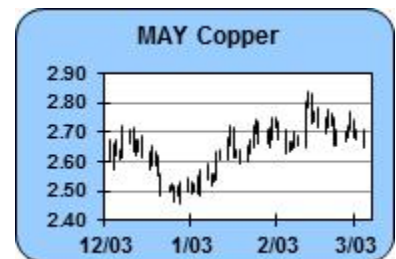
COPPER COMMENTARY

03/07/17

Slack demand views and rising exchange stocks is bearish

GENERAL: Copper prices started out the week on a back foot as they finished Monday's trading session weak and they have extended the slide overnight with the lowest trade since February 6th. News that China had lowered their growth target to 6.5% at the People's Congress over the last weekend and another very sizable increase in LME exchange copper stocks increases the pressure on prices. In fact the LME copper stock inflows this week have already amounted to 634,000 tons and that inflow is thought to be the result of slack demand in Asia.

In fact the brunt of the builds in copper stocks has taken place in Singapore, Taiwan and South Korea which certainly points to slack demand in that region. Furthermore, seeing the lack of a bullish response to news yesterday that workers at a Peruvian copper mine have decided to strike for five days this coming Friday appeared to be completely ignored by the trade. With May copper temporarily falling below its 50 day moving average the market seems to be flirting with another downside extension. Apparently the prospect of the beginning of a strike at the worlds' largest copper mine this Thursday continues to be discounted by the trade.



MARKET IDEAS:

The path of least resistance looks to remain down, as May copper failed to hold above the 50 day moving average at \$2.6535. In fact, we will remain bearish toward May copper as long as it holds below a one month old downtrend channel resistance line up at \$2.7430. In the end a combination of demand suspicions toward China, massive builds in LME copper stocks, periodic adversity from the dollar and a lack of US economic optimism favors the bear camp.

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) 03/07/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market could take on a defensive posture with the daily closing price reversal down. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is now at 1216.3. The next area of resistance is around 1232.1 and 1240.8, while 1st support hits today at 1219.9 and below there at 1216.3.

COMEX SILVER (MAY) 03/07/2017: 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 17.573. The next area of resistance is around 17.930 and 18.092, while 1st support hits today at 17.670 and below there at 17.573.

COMEX PLATINUM (APR) 03/07/2017: Momentum studies are declining, but have fallen to oversold levels. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The outside day down is somewhat negative. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is 959.68. The next area of resistance is around 993.45 and 1011.47, while 1st support hits today at 967.55 and below there at 959.68.

COMEX COPPER (MAY) 03/07/2017: The major trend has turned down with the cross over back below the 40-day moving average. Daily stochastics are trending lower but have declined into oversold territory. The market's short-term trend is negative as the close remains below the 9-day moving average. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside target is now at 2.61. The next area of resistance is around 2.68 and 2.72, while 1st support hits today at 2.63 and below there at 2.61.

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	1226.0	39.81	47.53	57.24	38.19	1233.85	1243.46	1239.29	1215.04	1198.99
SIK7	17.800	40.34	48.20	58.92	36.24	17.94	18.14	18.06	17.45	17.21
PLAJ7	980.50	34.70	41.61	40.69	22.66	995.80	1010.71	1010.54	990.97	973.92
CPAK7	2.65	39.68	44.79	31.16	21.59	2.69	2.70	2.72	2.67	2.64

Calculations based on previous session. Data collected 03/06/2017

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	1216.2	1219.8	1228.5	1232.1	1240.8
SIK7	COMEX Silver	17.572	17.670	17.832	17.930	18.092
PLAJ7	COMEX Platinum	959.67	967.55	985.57	993.45	1011.47
CPAK7	COMEX Copper	2.60	2.62	2.66	2.68	2.72

Calculations based on previous session. Data collected 03/06/2017

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