



DAILY METALS COMMENTARY

Thursday March 09, 2017

PRECIOUS METALS COMMENTARY

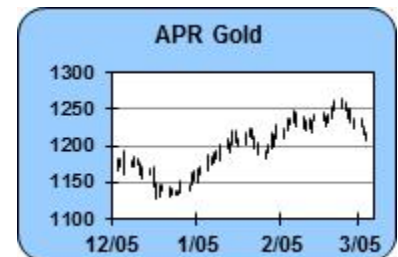
03/09/17

The short term trend is down for now

OVERNIGHT CHANGES THROUGH 3:15 AM (CT):

GOLD -5.30, SILVER -11.30, PLATINUM -1.50

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were lower overnight. The Asian economic calendar started out with a weekly reading on foreign investment in Japanese stock and bond markets with bond investment rising and investment in stocks coming in with a net liquidation of 127 billion Yen. However, the Asian session was highlighted by a fresh look at Chinese inflation which showed the strongest PPI reading in 9 years but that was countervailed by a somewhat anemic CPI result. The European session started out with readings on first quarter French non-farm payrolls which showed an as expected result of a +0.4% and the February Swiss unemployment rate which showed a slight decline from the prior month. The European session will also present the European Central Bank's latest monetary policy decision that is expected to have no changes to rates or policy. The North American session will start out with the February Challenger jobs cuts survey, followed by a weekly reading on initial jobless claims that are forecast to have a moderate increase from the previous 223,000 reading. The February export price index is expected to have a minimal uptick from January's +0.1% reading while the February import price index is forecast to have a moderate decline from January's +0.4% reading. Earnings announcements will include Staples and International Game Technology before the Wall Street open while Ulta Beauty reports after the close.



GOLD / SILVER

With yet another lower low for the move in both gold and silver it is clear that the bearish forces from earlier in the week remain definitively in place to start today. While it is repetitive to say the precious metals markets remain under pressure because of adverse currency market action and the fear of rising interest rates in the US next week. In fact with the much stronger-than-expected ADP employment result yesterday the prospects of a US rate hike have definitively increased and proof of that was seen with a sharp downside breakout in Treasury bonds yesterday. Another issue that might continue to weigh on gold and silver as well as other industrial commodities is the significant washout in crude oil prices this week. In fact, from the high this week the crude oil market has fallen by more than \$4 a barrel and that might foster minimal deflationary psychology and fan a liquidation mentality among the funds. While the US mint is prepared to offer a new coin and the World Gold Council has brought up the prospect of better 2017 Indian gold demand, that news was discounted and that is evidence that the bear case is pervasive. While there has been a minimal increase in safe haven interest from choppy equities and rising US political fighting, the gold and silver markets are not apparently interested in safe haven arguments this week. Unfortunately for the bull camp US initial claims data and an ECB meeting later this morning could add further pressure to gold and silver.

PLATINUM

As in gold and silver, the platinum market continues to be in a capital and perhaps margin liquidation break. While the April platinum contract has possibly found some credible support at \$950, it remains well below its 50 day moving average, it did make a fresh lower low and it could find it very difficult to get out from under the bearish outside market influences. Unfortunately, the next potential chart support level in April platinum is seen all the way down at \$928 if the \$940.30 level fails to hold today. However, we would not completely discount the potential for a low around the \$950 level because the market has waffled around both sides of that point for 5 1/2 months and that could suggest that level is important and possibly a value zone. From a technical perspective, the market is probably becoming short-term oversold with the \$100 break in just seven trading sessions. It should also be noted

that open interest has declined along with prices over the last three weeks, and that might help to bring about an eventual bottom.

TODAY'S MARKET IDEAS:

In short, it will take a significant headline change or development to take control away from the bear camp in gold, silver and platinum markets. In fact, outside market forces look to remain bearish and perhaps will accentuate their negative influence in the next 36 hours. Therefore, it is possible that gold and silver will see some type of huge range down volatility event before a solid bottom is found. With gold falling below its 50 day moving average yesterday, the next downside targeting is \$1190 and perhaps \$1182.60. The next downside targeting in May silver is seen at even numbers of \$17 and to turn the tide back around in favor of the bull camp might require a trade back above \$17.33. April platinum has already violated three retracement levels off the December through February rally, and the next critical support zone looks to be \$928.40.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COPPER COMMENTARY

03/09/17

Over 104,000 tons into LME this week is very bearish

GENERAL: All things considered, we were surprised that May copper did not fall even more aggressively yesterday as another huge daily build in LME copper stocks was joined by reports of falling smelter fees in Asia and that gives added credence to ideas that Asian copper demand is showing signs of weakening. In fact with a 38,775 ton overnight build in LME copper stocks, that brings the four-day total build to 104,325 tons and that has clearly added to the overnight washout action. Another issue that could continue to drive copper prices down sharply is talk that the rise off the October 2016 lows of 50 to 60 cents a pound might result in some copper mining operations restarting. Adding to the bearish pile in copper is trade fears that an aggressive Chinese pollution control effort might cause detrimental policy initiatives that in turn could stall or retard the Chinese economy. With Chinese copper imports down over 10% in January and down nearly 20% from year-ago levels, at least part of the Chinese copper demand fear from the last month has been revealed. As in many other physical commodity markets, it's difficult to expect copper to get out from underneath a wave of bearish outside market influences over the next 36 hours.



MARKET IDEAS:

While we thought the \$2.60 level was some form of value (because the market has waffled around both sides of that level for 4 1/2 months), another large build in LME copper stocks is a major attention getting development that should give the bear camp cover to press prices further. In fact, news that current copper prices might restart some idled production could be seen as a development that countervails the risk of loss production off labor and environmental issues. In the end the May copper contract did fall below its 50 day moving average on Tuesday and it looks to enter the session today below the third retracement point off the December through February rally and that speaks of a downtrend not just corrective balancing.

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) 03/09/2017: Daily stochastics are trending lower but have declined into oversold territory. The close below the 9-day moving average is a negative short-term indicator for trend. The close below the 1st swing support could weigh on the market. The next downside target is now at 1198.2. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 1214.0 and 1222.3, while 1st support hits today at 1202.0 and below there at 1198.2.

COMEX SILVER (MAY) 03/09/2017: A negative indicator was given with the downside crossover of the 9 and 18 bar 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 17.009. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 17.422 and 17.658, while 1st support hits today at 17.098 and below there at 17.009.

COMEX PLATINUM (APR) 03/09/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The close below the 9-day moving average is a negative short-term indicator for trend. The close below the 1st swing support could weigh on the market. The next downside objective is now at 934.13. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 957.05 and 970.32, while 1st support hits today at 938.95 and below there at 934.13.

COMEX COPPER (MAY) 03/09/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market's close below the pivot swing number is a mildly negative setup. The next downside target is now at 2.56. The next area of resistance is around 2.61 and 2.64, while 1st support hits today at 2.57 and below there at 2.56.

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	1208.0	28.71	38.70	36.91	17.23	1219.03	1236.67	1236.36	1217.45	1200.12
SIK7	17.260	27.24	37.35	36.99	16.16	17.59	17.99	18.02	17.51	17.22
PLAJ7	948.00	24.55	32.86	23.39	7.71	970.23	998.70	1003.04	993.16	974.13
CPAK7	2.59	31.35	38.67	21.34	11.39	2.64	2.68	2.71	2.67	2.64

Calculations based on previous session. Data collected 03/08/2017

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	1198.1	1201.9	1210.2	1214.0	1222.3
SIK7	COMEX Silver	17.008	17.097	17.333	17.422	17.658
PLAJ7	COMEX Platinum	934.12	938.95	952.22	957.05	970.32
CPAK7	COMEX Copper	2.55	2.56	2.60	2.61	2.64

Calculations based on previous session. Data collected 03/08/2017

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