



DAILY METALS COMMENTARY Friday March 10, 2017

PRECIOUS METALS COMMENTARY

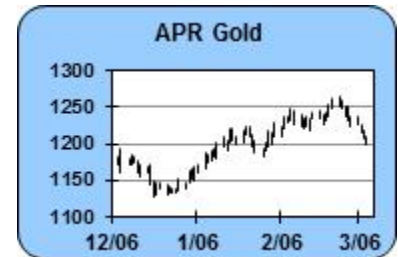
03/10/17

Without soft US payrolls the trend should remain down

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD -5.30, SILVER -10.10, PLATINUM +4.90

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were mostly higher overnight with the Shanghai Composite and Hang Seng posting declines. The Asian economic calendar was relatively quiet, while the European session started out with import readings from Germany for January showing a huge jump and their current account surplus shrinking. January UK factory orders reached the strongest level in 7 years while manufacturing output fell by more than was expected. Some economists suggested that the weak Pound appears to be giving the UK economy a lift. The North American session will start out with the highlight for global markets, the February employment situation report. February non-farm payrolls are forecast to come in around the 190,000 to 200,000 area, although some analysts have raised their estimates after the huge ADP number earlier this week. The February unemployment rate is expected to downtick from January's 4.8% reading, while February average hourly earnings are forecast to uptick from January's +0.1% reading. Canadian employment figures for February will be released at the same time, with the unemployment rate expected to hold steady at 6.8%.



GOLD / SILVER

Both gold and silver remain in a downward track on their charts because of the unending looming fear of the Fed, periodic adversity from the Dollar and a modest broad based commodity liquidation sentiment. In fact neither market showed any interest in a potential safe haven event in South Korea overnight where the President was forced from office and violence killed 2 people. It is likely that significant declines in crude oil and other industrial/physical commodities this week has turned some fund managers and traders more negative towards gold, silver, platinum, and palladium. Just to add into the bearish psychology yesterday, China indicated that they saw a minimal year-over-year increase in the production of gold for 2016. Other news from China was equally bearish with Hong Kong month over month gold export volume to mainland China down sharply. The gold and silver markets are expected to remain disappointed with indications from the ECB that the need for their quantitative easing was declining, as that could move the ECB closer to a rate hike. While the prospect of a rise in rates in the euro zone is remote, the pendulum is shifting. The world's largest gold ETF saw their holdings fall by 2.67 tonnes on Thursday and reach their lowest level since February 9th. With April gold remaining underneath its 50 day moving average up at \$1,212.90 and May silver remaining below its 50 day moving average up at \$17.40, it is difficult to argue against an extension on the downside. We think that gold and silver will continue to fall until they reach back to the late January lows "UNLESS" of course today's payroll report is patently weak (unlikely) and the March rate hike expectation is pulled down.

PLATINUM

Both platinum and palladium extended on the downside yesterday, made multi-month lows and forged a minimal new low for the move overnight in a move that is at least partly in sympathy with the ongoing declines in gold. With a number of industrial commodities under noted pressure this week, the platinum and palladium markets are seeing spillover pressure from commodities beyond gold and silver. However, the most damaging fundamental element facing the PGM markets this week was a prediction from the World Platinum Investment Council (WPIC) that the current year would once again narrow the magnitude of the world deficit in platinum. In fact, they pegged the 2017 deficit at only 120,000 ounces versus 270,000 ounces in 2016. The WPIC also pointed to significant declines in investment demand and a modest decline in jewelry demand while they also projected auto catalyst

demand to hold steady. Near term downside targeting in platinum might be seen to \$927 with similar downside targeting in June palladium seen at \$740.

TODAY'S MARKET IDEAS:

As mentioned already, the gold and silver markets have fallen below and stayed below their 50 day moving averages and they have both fallen below important psychological levels of \$1,200 and \$17.00 respectively. Unless there is a softer than expected US nonfarm payroll result this morning, a really significant decline in the dollar or a surprise geopolitical anxiety event, the path of least resistance looks to remain down. Potential downside targeting in April gold is seen at \$1,180 with similar downside targeting potential in May silver seen at \$16.65.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COPPER COMMENTARY

03/10/17

Chances of a low have risen but renewed supply flow is bearish

GENERAL: The copper market saw yet another downside extension yesterday and that wasn't surprising in the face of news that Freeport McMoran had restarted copper concentrate production from its Grasberg mine. While we assume that some of the losses earlier this week were the result of talk that the Escondida disruption might be set to come to an end, the official confirmation of such an outcome could keep copper prices pointing downward. As in many other physical commodity markets, negative psychology by the funds in face of financial market action should keep the bear camp confident. Surprisingly prices are showing some bounce to start this morning despite yet another massive inflow of 12,859 tons of copper into the Shanghai exchange warehouses. While LME copper stocks managed to decline by 1,800 tons that is hardly an offset to what has flowed in earlier this week. LME copper stocks were up 103,875 tonnes this week.



MARKET IDEAS:

While the press might suggest that this week's declines in copper were the result of looming US interest rate hike fears, we would suggest that the prospect of resumed supply flow from two separate locations and the massive flow of stocks to LME warehouses are developments that could continue to press prices lower. While a strong US nonfarm payroll would typically support copper in this instance, a strong US monthly payroll reading will probably turn up the liquidation action again off the fear of Fed action next week. Logical downside targeting in May copper is seen at \$2.5395 but a short covering rally might temporarily bring prices back above \$2.60. In order to turn the trend around probably requires a rally back above \$2.6345.

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) 03/10/2017: The major trend has turned down with the cross over back below the 60-day moving average. A negative indicator was given with the downside crossover of the 9 and 18 bar moving average. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market setup is somewhat negative with the close under the 1st swing support. The next downside target is 1193.8. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 1204.7 and 1211.1, while 1st support hits today at 1196.1 and below there at 1193.8.

COMEX SILVER (MAY) 03/10/2017: The major trend has turned down with the cross over back below the 60-day moving average. Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The close below the 9-day moving average is a negative short-term indicator for trend. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside target is now at 16.712. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 17.147 and 17.401, while 1st support hits today at 16.803 and below there at 16.712.

COMEX PLATINUM (APR) 03/10/2017: Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is now at 922.80. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 945.49 and 958.80, while 1st support hits today at 927.50 and below there at 922.80.

COMEX COPPER (MAY) 03/10/2017: Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 2.54. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 2.59 and 2.62, while 1st support hits today at 2.56 and below there at 2.54.

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	1200.4	25.09	35.53	28.57	11.28	1212.85	1230.39	1234.47	1218.28	1200.74
SIK7	16.975	21.57	31.90	27.90	9.64	17.40	17.83	17.96	17.52	17.22
PLAJ7	936.50	21.93	30.45	17.66	5.45	956.38	988.70	998.98	993.04	974.47
CPAK7	2.57	29.86	37.57	18.58	11.92	2.61	2.67	2.70	2.67	2.64

Calculations based on previous session. Data collected 03/09/2017

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	1193.7	1196.0	1202.4	1204.7	1211.1
SIK7	COMEX Silver	16.711	16.802	17.056	17.147	17.401
PLAJ7	COMEX Platinum	922.80	927.49	940.80	945.49	958.80
CPAK7	COMEX Copper	2.53	2.55	2.57	2.59	2.62

Calculations based on previous session. Data collected 03/09/2017

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