



## DAILY METALS COMMENTARY

Monday March 20, 2017

### PRECIOUS METALS COMMENTARY

03/20/17

**Lower Dollar = more gains in gold, silver and platinum**

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

**GOLD +2.70, SILVER +1.70, PLATINUM +4.90**

**OUTSIDE MARKET DEVELOPMENTS:** Global equity markets were mixed overnight with Chinese stocks higher and most of the G7 markets lower. Perhaps the markets were partially discouraged by evidence that the G20 meeting spawned a protectionism mentality with the lack of a protectionism pledge in the press release from that organization. The Asian economic calendar was relatively quiet, due in part to Japanese and Indian market holidays. The European session started out with a February reading on German PPI that showed a more modest than expected uptick from January's year-over-year rate. Fourth quarter Euro zone labor costs later today are forecast to have a modest uptick from the previous +1.5% year-over-year rate. The North American calendar will start with January Canadian wholesale sales which are expected to have a moderate downtick from December's +0.7% reading. The Chicago Fed's February national activity index is forecast to improve on January's -0.03 reading and climb into positive territory. Chicago Fed President Evans will speak during afternoon US trading hours.



#### GOLD / SILVER

With the gold and silver markets finishing last week on a positive note and performing impressively in the face of the widely anticipated US interest rate hike, it is possible that the \$1,200 level has become some form of solid value. Furthermore with the most recent commitments of traders report for gold showing a net decline of 34,841 contracts over the prior week and the market finding some consolidation capacity (mostly above the \$1,200 level) that gives further credence to the prospects of a moderately important low. However with the end of the Indian wedding season culminating with the holiday today, it is possible that physical demand from India will moderate again. The impact from the G20 meeting over the weekend appears to be insignificant toward gold as the currency markets have showed little reaction. Apparently the focus of the G20 was almost exclusively on trade, potential US trade policies and an open desire to avoid conflicts. Since it would appear that the recovery last week was almost exclusively done on the back of the dollar slide, action in the greenback this week should be a dominating influence. From a technical perspective, the March slide has been forged on sharp declines in open interest and weak/declining volume and that might highlight a lack of resolve by the bear camp. In looking forward, we would expect another range up extension in gold and silver if the June dollar index falls below the parity level again. The world's largest gold ETF saw their holdings fall by 2.96 tonnes on Friday for a second straight draw following three straight builds at the start of last week. The Commitments of Traders Futures and Options report as of March 14th for Gold showed Non-Commercial and Non-reportable combined traders held a net long position of 117,164 contracts. This represents a decrease of 34,841 contracts in the net long position held by these traders and that is a significant leveling! The Commitments of Traders Futures and Options report as of March 14th for Silver showed Non-Commercial and Non-reportable combined traders held a net long position of 99,045 contracts.

#### PLATINUM

With the World Platinum Investment Council (WPIC) projecting a wider-than-expected deficit of 270,000 ounces compared to their prior deficit estimate of only 120,000 ounces for 2017, it is clear that platinum had other reasons to rally last week besides positive lift from weakness in the Dollar and spillover strength in gold and silver prices. Apparently the WPIC indicated that restricted supply and recovering demand caused them to revise their deficit figure higher by 150,000 ounces. An issue that might be seen as a slight longer term negative to platinum

prices is word that the South African government was setting aside \$92 million for the victims of the Lonmin-owned Marikana incident, as that might soothe labor tensions modestly in the area. However, positive action in the Johannesburg Stock exchange overnight and strength in some mining shares should give the PGM complex a positive environment to start the new trading week. Like gold, the platinum market did see open interest and volume decline during the late February early March washout and that might suggest the bear camp lacks resolve. With the most recent commitments of traders report for platinum showing the net long position fell by nearly 10,000 contracts on the week and the market managing to find some consolidation capacity around the \$950 level, it is possible that some form of value has been found by the market. However as in gold and silver, the platinum market will need to see further weakness in the dollar and positive leadership from gold in order to make that \$950 level more significant support. The palladium market on the other hand has shown even more positive chart action than platinum and could easily challenge the February 27th high of \$790 in the event of a downside breakout in the dollar and strength in global equities. The Commitments of Traders Futures and Options report as of March 14th for Platinum showed Non-Commercial and Non-reportable combined traders held a net long position of 32,145 contracts. This represents a decrease of 9,877 contracts in the net long position held by these traders. The Commitments of Traders Futures and Options report as of March 14th for Palladium showed Non-Commercial and Non-reportable combined traders held a net long position of 17,049 contracts.

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

Apparently the markets were fearful that the Fed was poised increase threats that rates might be hiked more than 3 times this year as the markets have bought into the idea that the Fed doesn't appear to be more hawkish than was feared earlier in the year. Therefore unfolding weakness in the Dollar has revived at least a short term upward track on the precious metals charts. As indicated already, we think April gold has found solid support at the \$1,200 level with the May silver contract finding value at the even number \$17.00 level. However, the fledgling rally in both markets is almost exclusively dependent upon a decline below parity in the dollar early this week. We would suggest that the dollar's failure last week in the face of the US rate hike is a very telling sign of impending weakness in the dollar, and that should give rise to a modest hard-fought upside extension in gold and silver.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

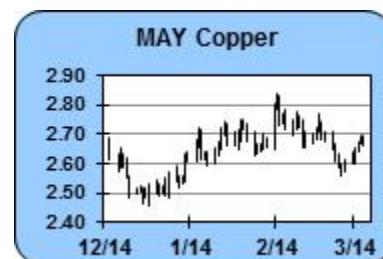
None.

## **COPPER COMMENTARY**

**03/20/17**

### **Poor tech action to start combined with negative fundamentals**

**GENERAL:** Like other metals markets at the end of last week, the copper market forged in impressive recovery and finished near the highs of the week and forged the highest price level since March 6th but prices early this morning have spent the early trade in negative ground. Perhaps the market is undermined because of news reports of an effort to ramp up production at an Antofagasta mine in Chile. Surprisingly, the gains last week were made in the face of news that a Chilean mining firm agreed to speak with representatives of miners who had been on strike for 37 days. Unfortunately the gains off the March low were forged on declining volume and open interest figures and that might point to an anemic bull contingent. Another issue that might serve to temper the upward track in prices is news that the commitments of traders report showed a net spec and fund long of nearly 27,000 contracts and with the May copper contract gaining another 5 cents per pound from the report mark-off that might put the spec long even closer to an overbought technical condition. On the other hand, the COT report figures did show a weekly decrease of nearly 10,000 contracts in the spec long positioning from the prior week and that keeps the overall spec long level at a manageable level. The Commitments of Traders Futures and Options report as of March 14th for Copper showed Non-Commercial traders were net long 22,591 contracts, a decrease Non-Commercial and Non-reportable combined traders held a net long position of 26,797 contracts. This represents a decrease of 9,748 contracts in the net long position held by these traders.



**MARKET IDEAS:**

While the bull camp seems to retain the edge technically, we are somewhat concerned that a patently bullish fundamental supply-side condition is slowly tempering. We would also suggest a \$2.70 price level puts the May contract back to the middle of the last five months trading range, and that could make more near term gains hard-fought and difficult to sustain. Uptrend channel support in May copper off the March low is seen at 2.64 with initial resistance early this week seen at \$2.7115.

**NEW RECOMMENDATIONS:**

None

**PREVIOUS RECOMMENDATIONS:**

None

Commitment of Traders - Futures and Options - 3/7/2017 - 3/14/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
<b>Metals</b>						
Copper	22,591	-7,316	-26,797	+9,750	4,206	-2,432
Gold	97,734	-33,767	-117,162	+34,843	19,430	-1,074
Palladium	16,594	-421	-17,049	+593	455	-172
Platinum	28,129	-8,987	-32,144	+9,877	4,016	-890
Silver	83,231	-10,509	-99,045	+7,494	15,814	+3,016

**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) 03/20/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 1235.6. The next area of resistance is around 1232.3 and 1235.6, while 1st support hits today at 1224.9 and below there at 1220.7.

COMEX SILVER (MAY) 03/20/2017: Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. The market's short-term trend is positive on the close above the 9-day moving average. The upside closing price reversal on the daily chart is somewhat bullish. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 17.556. The next area of resistance is around 17.492 and 17.556, while 1st support hits today at 17.298 and below there at 17.167.

COMEX PLATINUM (APR) 03/20/2017: Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The market's short-term trend is positive on the close above the 9-day moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 974.97. The next area of resistance is around 971.74 and 974.97, while 1st support hits today at 959.45 and below there at 950.38.

COMEX COPPER (MAY) 03/20/2017: The cross over and close above the 40-day moving average indicates the longer-term trend has turned up. Positive momentum studies in the neutral zone will tend to reinforce higher price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. The upside daily closing price reversal gives the market a bullish tilt. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside objective is at 2.72. The next area of resistance is around 2.70 and 2.72, while 1st support hits today at 2.67 and below there at 2.65.

## 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	1228.6	58.18	54.70	22.63	32.49	1214.75	1210.24	1226.82	1221.87	1206.59
SIK7	17.395	48.98	47.63	15.24	21.29	17.15	17.15	17.64	17.56	17.26
PLAJ7	965.60	46.59	44.81	10.75	16.11	949.28	947.14	978.81	989.51	976.19
CPAK7	2.68	57.91	53.84	36.00	48.25	2.67	2.63	2.66	2.68	2.65

Calculations based on previous session. Data collected 03/17/2017

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	1220.6	1224.8	1228.1	1232.3	1235.6
SIK7	COMEX Silver	17.166	17.297	17.361	17.492	17.556
PLAJ7	COMEX Platinum	950.37	959.44	962.67	971.74	974.97
CPAK7	COMEX Copper	2.64	2.66	2.68	2.70	2.72

Calculations based on previous session. Data collected 03/17/2017

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