



## DAILY METALS COMMENTARY

Friday March 24, 2017

### PRECIOUS METALS COMMENTARY

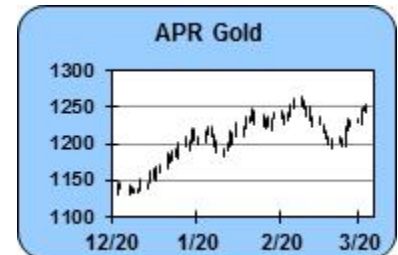
03/24/17

**The short term trend remains down unless US data changes views**

#### OVERNIGHT CHANGES THROUGH 3:15 AM (CT):

**GOLD -4.90, SILVER -1.80, PLATINUM -4.50**

**OUTSIDE MARKET DEVELOPMENTS:** Global equity markets were mixed with Chinese, Australian and the Hang Seng higher and European stocks weaker. The Asian economic calendar featured the latest readings for the Japanese leading economic index which posted a slight decline from the prior months' result. The European session started out with first quarter French GDP that bested expectations with a +0.4% gain. German & European "flash" manufacturing PMI readings both came in above expectations with results that depict forward motion albeit slow motion. The North American session will start with February durable goods which are expected to see a moderate downtick from January's +2.0% reading. February Canadian CPI is forecast to hold steady at a 2.1% year-over-year rate. There will be a market focus on Washington again today to see if the health care reform bill will have a vote today with the President initially demanding a vote today. Another busy day of Fed speakers will include Chicago Fed President Evans, San Francisco Fed President Williams and St. Louis Fed President Bullard speaking during morning US trading hours while New York Fed President Dudley speaks during the afternoon.



#### GOLD / SILVER

After weakness during the Asian session the gold market in the US is showing additional downside action which in turn extended a recently developing pattern of lower lows. While the trade did see a favorable long-term Chinese gold consumption prediction from the China Gold Association yesterday the market basically discounted that news. The China Gold Association did predict that Chinese gold consumption would reach 1,200 tons by 2020 which compares to 975 tons of consumption last year. While the April gold contract has started the Friday trade off on a back foot the dollar is showing some initial weakness and US schedule data later today is expected to come in soft and that could add to the Dollars' decline which in turn could then provide a cushion to gold. Gold derivative holdings increased by 48,941 ounces yesterday and now stand at 51.8 million ounces. In order to throw off a recently developed downward track on the charts probably requires a fresh new low for the move in the March dollar index with a print below 99.34. Initial support in April gold today is seen at \$1,237.50 but it could take a trade back above \$1,247.70 to effectively reverse this week's erosive chart pattern. The May silver contract has clearly outperformed the gold market in the second half of this week but it sits right on its 50 day moving average today at \$17.57 in the early going. Silver also appears to have closer in uptrend channel support at \$17.50 and a move back above this week's high of \$17.71 could set the stage for a challenge of \$18 next week.

#### PLATINUM

While the PGM sector found support on Thursday, palladium clearly had the upper hand as it broke out above the January and February highs while climbing above the \$800.00 level for the first time since May of 2015. Auto catalyst demand appears to be on the rise again, particularly in China where the government is taking stronger steps to control their emissions. The PGM complex also benefited from a favorable euro zone leading indicator report which in turn was supposedly the result of strong European auto sales figures last month. In other words, a patently weak economic zone from the past four years is now beginning to show positive forward momentum and that could serve to revise PGM demand higher going forward. With the palladium market forging a very significant upside breakout and the platinum market remaining \$82 below its February high, we would think the platinum/palladium spread is getting close to an extreme. All things considered, we think the palladium market is now overbought and vulnerable if today brings about a disappointing finish to the week in equities.

**TODAY'S MARKET IDEAS:**

As suggested already, April gold showed a bit of negative technical action in the prior trading session and it has extended that weakness in the early going today. As indicated already the gold bulls probably need to see fresh weakness develop in the dollar in order to reverse the negative bias of the last 36 hours of trade. With US durable goods expected to show a minor down tick later this morning that might add to the initial weakness in the dollar and in turn potentially help the April gold contract respect the initial overnight low of \$1,240.70. Just as a reference the 50 day moving average in April gold is seen down at \$1,224.40.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

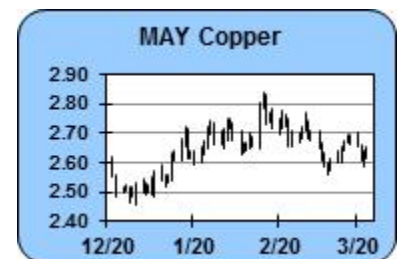
None.

**COPPER COMMENTARY**

03/24/17

**While the bulls hold an edge to start momentum is lacking**

**GENERAL:** For the May copper contract to have taken out the prior session's high yesterday in the wake of news that Chinese January through February imports of unwrought copper and copper products were down nearly 16% from year ago levels is very surprising. In fact the copper market has generally shaken off news that one of the labor strikes in Chile has been solved and that suggest the market might not be as vulnerable as was feared at the beginning of the week. With both LME and Shanghai copper stocks posting declines this morning there is a countervailing supply force to the strike resolution in Chile. We continue to think that the \$2.60 level is indeed some form of value but for the bull camp to add to this week's short covering bounce today probably requires a surprise gain in US durable goods, a moderate rise in US equities and or a fresh lower low in the Dollar. As in many other physical commodity markets, the copper market is likely to take a significant amount of direction from the direction of global equities today.

**MARKET IDEAS:**

All things considered, the market's capacity to ignore the end of a strike in Chile indicates that the \$2.60 level is indeed some form of strong value. It is also possible that copper going into this week's low had shifted back into a net spec and fund short and that in turn exhausted the pool of would be sellers. On the other hand, a huge risk off panic in global equities as a result of the US political situation later today and/or the failure to hold above \$2.6150 in May copper could usher in a significant washout in prices.

**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) 03/24/2017: The upside crossover of the 9 and 18 bar moving average is a positive signal. Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. A positive signal for trend short-term was given on a close over the 9-bar moving average. The downside closing

price reversal on the daily chart is somewhat negative. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside target is 1257.7. The next area of resistance is around 1251.4 and 1257.7, while 1st support hits today at 1240.9 and below there at 1236.5.

COMEX SILVER (MAY) 03/24/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 17.793. The next area of resistance is around 17.692 and 17.793, while 1st support hits today at 17.508 and below there at 17.424.

COMEX PLATINUM (APR) 03/24/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market tilt is slightly negative with the close under the pivot. The near-term upside target is at 978.90. The next area of resistance is around 971.10 and 978.90, while 1st support hits today at 956.30 and below there at 949.30.

COMEX COPPER (MAY) 03/24/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close above the 9-day moving average is a positive short-term indicator for trend. The close over the pivot swing is a somewhat positive setup. The next upside objective is 2.68. The next area of resistance is around 2.67 and 2.68, while 1st support hits today at 2.64 and below there at 2.61.

## DAILY TECHNICAL STATISTICS

|                       | CLOSE  | 9 DAY<br>RSI | 14 DAY<br>RSI | 14 DAY<br>SLOW<br>STOCH D | 14 DAY<br>SLOW<br>STOCH K | 4 DAY<br>M AVG | 9 DAY<br>M AVG | 18 DAY<br>M AVG | 45 DAY<br>M AVG | 60 DAY<br>M AVG |
|-----------------------|--------|--------------|---------------|---------------------------|---------------------------|----------------|----------------|-----------------|-----------------|-----------------|
| <b>METALS COMPLEX</b> |        |              |               |                           |                           |                |                |                 |                 |                 |
| GCAJ7                 | 1246.2 | 66.78        | 61.81         | 58.83                     | 76.49                     | 1244.10        | 1226.68        | 1225.50         | 1225.09         | 1213.86         |
| SIK7                  | 17.600 | 56.82        | 52.79         | 35.56                     | 47.99                     | 17.55          | 17.31          | 17.49           | 17.61           | 17.37           |
| PLAJ7                 | 963.70 | 46.94        | 45.57         | 28.00                     | 35.74                     | 967.38         | 956.42         | 966.99          | 988.25          | 979.89          |
| CPAK7                 | 2.65   | 47.58        | 47.72         | 44.63                     | 48.39                     | 2.64           | 2.65           | 2.65            | 2.68            | 2.66            |

Calculations based on previous session. Data collected 03/23/2017

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     | 1236.4    | 1240.8    | 1247.1 | 1251.4   | 1257.7   |
| SIK7                  | COMEX Silver   | 17.423    | 17.507    | 17.608 | 17.692   | 17.793   |
| PLAJ7                 | COMEX Platinum | 949.30    | 956.30    | 964.10 | 971.10   | 978.90   |
| CPAK7                 | COMEX Copper   | 2.60      | 2.63      | 2.64   | 2.67     | 2.68     |

Calculations based on previous session. Data collected 03/23/2017

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