



DAILY METALS COMMENTARY Monday March 27, 2017

PRECIOUS METALS COMMENTARY

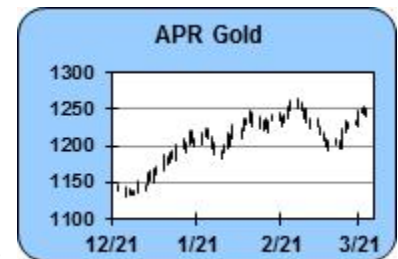
03/27/17

Risk aversion provides a boost to precious metals

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD +8.50, **SILVER** +20.70, **PLATINUM** +12.70

OUTSIDE MARKET DEVELOPMENTS: Global markets were unable to fully shake off a negative shift in risk sentiment last week and while they found their footing late in Friday's trading, they are squarely back on the defensive early this week. A set of better than expected Euro zone PMI numbers and durable goods provided a boost, but were unable to shake market focus from the events in Washington. Although the health care reform bill was ultimately pulled before it reached a vote, a perceived shift towards working on tax cuts and fiscal spending initially helped avoid a "risk off" mood to develop. That optimism did not last the weekend, however, as a risk off mood quickly redeveloped in Asian trading. Chinese equities were able to finish the day near unchanged levels, but the Nikkei sustained heavy losses. A better than expected German IFO survey has done little to improve risk appetites as most major European stock indices are in negative territory this morning. The North American economic calendar will be relatively quiet and will feature a March reading on the Dallas Fed's manufacturing business index.



GOLD / SILVER

The precious metals have been major beneficiaries of risk aversion early this week as gold and silver are both posting moderate gains this morning. While the bull camp in gold might have been disappointed with the action last week, it would appear that the trend still remains down in the dollar, uncertainty will continue to flow from Washington and it would also appear as if the Fed won't be prompted into another hike quickly because of ideas that fiscal stimulus will stoke the US economy anytime soon. In fact, the trade toward the end of last week was boosted by talk that the Fed's latest policy hints were sounding more dovish. With the Trump euphoria declining even further after the health care setback, it is likely that animal spirits will temper, stocks have faltered and the Dollar should remain off balance.

However, in order to extend the pattern of higher highs in the coming week probably requires a consistent trade in the dollar index below the 99.34 level. With gold derivative holdings forging a quasi-breakout higher last week, investors would appear to be throwing off a negative investment track that started at the beginning of March. The Commitments of Traders Futures and Options report as of March 21st for Gold showed Non-Commercial and Non-reportable combined traders held a net long position of 135,180 contracts and that should allow for more spec and fund buying without putting the market close to an overbought condition. On the other hand, the Commitments of Traders Futures and Options report as of March 21st for Silver showed Non-Commercial and Non-reportable combined traders held a net long position of 95,021 contracts and that positioning is not only understated but it is also overbought.

PLATINUM

The platinum group metals complex continues to show significant divergence as platinum is holding the upper hand on palladium after lagging seriously behind it over the last three weeks of trading. Some will suggest that palladium found considerable support from optimistic European auto sales expectations, and perhaps from concern of a possible trade restriction on Russia if election tampering is discovered. However, with June palladium from the March low to the high last week rallying \$75 an ounce and the latest net spec and fund long creeping toward the record net spec and record long, the palladium market is becoming overextended. From the last COT report to the high last week, the market forged another \$30 per ounce while the platinum market actually

tracked lower. Therefore, it is possible that long palladium/short platinum spreading is being used extensively. The Commitments of Traders Futures and Options report as of March 21st for Palladium showed Non-Commercial and Non-reportable combined traders held a net long position of 18,812 contracts. This represents an increase of 1,763 contracts in the net long position held by these traders. The record net spec and fund long in palladium is 30,209 while the record spec and fund long in platinum is 61,208. The Commitments of Traders Futures and Options report as of March 21st for Platinum showed Non-Commercial and Non-reportable combined traders held a net long position of 33,407 contracts. This represents an increase of 1,262 contracts in the net long position held by these traders.

TODAY'S MARKET IDEAS:

While the gold market finished last week on a bit of a slide on its charts, deteriorating economic sentiment from political influences in the US as well as somewhat dovish Federal Reserve dialogue should help to underpin prices after a normal corrective balancing. A normal retracement off the March rally would project a setback down to \$1,234 with somewhat closer-in support seen at \$1240.20. While the bull camp is back in control of the gold market, it may be difficult to retest the 2017 high above \$1,261 unless risk aversion continues to grow. As indicated already, the silver market is closer to classic overbought technical condition than the gold market and it has shown little corrective action over the past three weeks. However the silver chart looks strong and there might be little in the way of resistance until the \$18.05 level. A short-term uptrend channel support line is seen at \$17.55.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COPPER COMMENTARY

03/27/17

Negative risk sentiment weighs on copper prices

GENERAL: Copper prices have been caught up in the "risk off" mood seen in many markets early this week as they have reached a new 2 1/2 week low early in today's trading. Fortunately for the bull camp in copper, the market last week saw an ongoing trend of declines in daily LME copper stocks that was extended to an eight session in a row today. This supportive theme was accentuated by a weekly decline in Shanghai copper stocks that helps to put some fears of sagging Chinese demand to rest, but the biggest focus of the copper market going forward will probably be the status of economic and investment psychology in the marketplace. In other words, without optimism flowing from Washington and equities providing a reflation tone, it is possible that copper will remain mired within the lower half of its recent trading range bound by \$2.70 and \$2.55. However, news of an end to the strike at one of the world's largest copper mines in Chile last week is difficult to discount, and that might leave the bear camp with a slight edge. From a technical perspective, last week's rally was unable to reverse a downtrend pattern that has remained in place since the mid-February high, and therefore the \$2.55 level might be violated at times this week. The Commitments of Traders Futures and Options report as of March 21st for Copper showed Non-Commercial and Non-reportable combined traders held a net long position of 26,086 contracts and that is half of the record level that was forged earlier this year.



MARKET IDEAS:

As indicated already, we think May copper will chop within a range of \$2.70 to \$2.55 with a bias to the downside and a correlation with global equity prices. Close-in support for May copper will be at \$2.5735 during today's trading, and it should also be noted that May copper remains well below its 50 day moving average up at \$2.6770.

NEW RECOMMENDATIONS:

None

PREVIOUS RECOMMENDATIONS:

None

Commitment of Traders - Futures and Options - 3/14/2017 - 3/21/2017						
	Non-Commercial		Commercial		Non-Reportable	
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Metals						
Copper	21,861	-730	-26,085	+712	4,225	+19
Gold	122,136	+24,402	-135,180	-18,018	13,044	-6,386
Palladium	18,182	+1,588	-18,811	-1,762	630	+175
Platinum	28,850	+721	-33,407	-1,263	4,557	+541
Silver	79,717	-3,514	-95,020	+4,025	15,304	-510

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) 03/27/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The close above the 9-day moving average is a positive short-term indicator for trend. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside objective is at 1257.3. The next area of resistance is around 1251.5 and 1257.3, while 1st support hits today at 1240.3 and below there at 1234.9.

COMEX SILVER (MAY) 03/27/2017: The cross over and close above the 40-day moving average indicates the longer-term trend has turned up. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. A positive setup occurred with the close over the 1st swing resistance. The near-term upside objective is at 17.972. The next area of resistance is around 17.884 and 17.972, while 1st support hits today at 17.625 and below there at 17.453.

COMEX PLATINUM (APR) 03/27/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The intermediate trend could be turning up with the close back above the 18-day moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 977.35. The next area of resistance is around 971.50 and 977.35, while 1st support hits today at 958.50 and below there at 951.35.

COMEX COPPER (MAY) 03/27/2017: The moving average crossover up (9 above 18) indicates a possible developing short-term uptrend. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The close below the 9-day moving average is a negative short-term indicator for trend. The close over the pivot swing is a somewhat positive setup. The next upside objective is 2.67. The next area of resistance is around 2.65 and 2.67, 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	1245.9	66.24	61.52	66.17	80.48	1247.33	1231.54	1225.11	1226.04	1215.62
SIKJ7	17.755	63.15	56.95	43.56	59.66	17.63	17.39	17.45	17.62	17.39
PLAJ7	965.00	50.32	47.62	33.29	43.88	966.25	959.39	963.49	988.51	980.93
CPAK7	2.64	44.39	45.82	46.16	49.21	2.63	2.65	2.65	2.68	2.66

Calculations based on previous session. Data collected 03/24/2017

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	1234.9	1240.3	1246.1	1251.5	1257.3
SIK7	COMEX Silver	17.452	17.624	17.712	17.884	17.972
PLAJ7	COMEX Platinum	951.35	958.50	964.35	971.50	977.35
CPAK7	COMEX Copper	2.60	2.62	2.63	2.65	2.67

Calculations based on previous session. Data collected 03/24/2017

Data sources can & do produce bad ticks. Verify before use.

***This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.