



DAILY METALS COMMENTARY

Thursday April 20, 2017

PRECIOUS METALS COMMENTARY

04/20/17

Increased geopolitical headline flow should discourage selling

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD -3.20, SILVER +1.30, PLATINUM +1.90

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were mixed as they continue to deal with elevated risk concerns. The Asian session was highlighted by March Japanese trade balance data that was expected to show sizable year-on-year gains for exports and imports but the gains were instead modest. The European session featured the March German PPI which was as expected by holding steady with February's 3.1% year-over-year rate. The North American session will start out with a weekly reading on initial jobless claims that are expected to show a modest uptick from the previous 234,000 reading. The April Philly Fed manufacturing survey is forecast to have a moderate downtick from March's 32.8 reading. Fed Governor Powell will speak during morning US trading hours. Earning announcements will include Verizon Communications, Philip Morris International and Danaher Corp. before the Wall Street opening while Visa Inc. reports after the close.



GOLD / SILVER

While there were some gold analysts attempting to pick a bottom in gold yesterday, the range down probe below the \$1,275 level and a pattern of lower highs and lower lows this week gives off a bearish technical signal for prices. However the minor downtick in geopolitical anxiety earlier this week seems to have been revived slightly with news that Russian planes were intermingled with Syrian planes on the ground (possibly an attempt to prevent future US bombings), that North Korea had produced a video with missiles annihilating the US and news that Russian bombers were making incursions deep into US border zones in Alaska. However gold and other safe haven instruments are not showing ultra- sensitivity to that news in the early going today and that would suggest would-be buyers are still a little skittish. In fact a fresh downside breakout in the dollar and the lowest trade since March 28th should have lent some support to gold in the early trade today. Apparently the trade will need to see some type of aggressive reaction from the US to the Russian and North Korean acts of aggression in order to rekindle the safe haven buzz. However, significant weakness in crude oil pricing yesterday has fostered a slight revival of deflation. The world's largest gold ETF saw their holding rise by a hefty 11.84 tonnes on Wednesday, which is the largest single-day build since June 27th of last year, and have now reached their highest level since early December. Relatively speaking, the silver market continues to hold up better than the gold market and that action was given added credence by news that Peru saw a significant decline in its latest monthly output figures. According to the Peruvian Ministry of Energy and Mining, their February silver production fell by 12% versus the same period last month and that presents silver with a badly needed fundamental support from the supply-side of the equation. Uptrend channel support in June gold rises to \$1,266.90 with similar 50-day moving average support in May silver seen down at \$17.89.

PLATINUM

The palladium market managed to hold above the prior sessions low and close higher in the Wednesday trade and it has regained its 50 day moving average of \$781.48 in the overnight trade. We are a little surprised to see palladium & platinum hold together in the wake of news from the Shanghai Auto Show that Chinese auto sales might be set to show signs of backing off. It is likely that the PGM complex is benefiting from a return to a mild risk on environment and from a fresh lower low in the dollar. Unfortunately the recovery in the palladium market over the past 36 hours was accomplished on declining volume and only a minor uptick in open interest and that could detract from the positive chart formation in place today. While the bias might be up the June palladium market looks to run into the underside of the last month's consolidation at the \$787.10 level. However, the July platinum

contract failed to hold above its 50 day moving average at \$981.40, and it also remains below the newly revised 50 day moving average this morning of \$980.50 for a guarded technical condition this morning. We suspect palladium is set to gain on platinum today but only if US stocks maintain a positive track.

TODAY'S MARKET IDEAS:

While it is possible that gold will generally remain within the uptrend pattern that has been in place since the middle of December, the bull camp will have to prove they can hold prices up above close-in support of \$1,275. In fact, with a 6 cent decline in unleaded gasoline prices yesterday and a \$2 break in crude oil the threat of slowing/deflation has probably muted bargain hunting buying of gold and silver. Without a revival of geopolitical anxiety there might be little in the way of support in June gold until the bottom of the uptrend channel of \$1,263 but the latest news regarding Russia (from activity at a Syrian Airbase and incursions in Alaska) should underpin prices. As indicated in our earlier coverage, silver might be expected to hold up better than gold but we doubt silver has the fundamentals yet to aggressively outperform on the upside.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

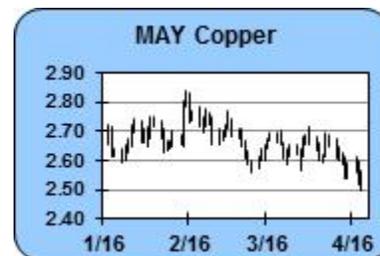
Long July gold \$1,300 call from \$19.00 with an objective of \$46.00. * Use a stop at \$9.00.

COPPER COMMENTARY

04/20/17

Oversold especially with a bounce in equities

GENERAL: While May copper prices forged a fresh downside breakout and temporarily fell below a potentially psychological level of \$2.50 yesterday, the market was able to recover from that initial probe down and it is trading higher to start today and that should put the bears off balance. In fact with the trade seeing reports of noted fund long liquidation yesterday and with the May recovering today it is possible that stop loss selling has run its course. On the other hand this week's "risk off" physical commodity market vibe, news that Chinese March copper output reached up to levels not seen since the end of 2015 and fears of a reduction in Chinese auto sales growth would seem to justify the slide in prices. With the COT positioning report in copper showing the net spec and fund long to be in excess of 30,000 contracts last week we also suspect that this week's long liquidation activity was not a surprise and that positioning has been balanced somewhat.



MARKET IDEAS:

With fresh bearish supply-side news and a general downturn this week in many physical commodities, the three day slide in copper was justified. However, in order to extend significantly to the downside might require a continuation of "risk off" led by sharp declines in global equity markets. We do think that May copper has found fresh fundamental and technical value around the \$2.50 level but we aren't convinced that the market will be able to bounce aggressively on the current fundamental condition.

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 (JUN) 04/20/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's short-term trend is positive on the close above the 9-day moving average. The swing indicator gave a moderately negative reading with the close below the 1st support number. The near-term upside objective is at 1299.8. The next area of resistance is around 1289.6 and 1299.8, while 1st support hits today at 1272.4 and below there at 1265.3.

COMEX SILVER (MAY) 04/20/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The intermediate trend has turned down with the cross over back below the 18-day moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 17.930. The next area of resistance is around 18.255 and 18.410, while 1st support hits today at 18.015 and below there at 17.930.

COMEX PLATINUM (JUL) 04/20/2017: The close below the 40-day moving average is an indication the longer-term trend has turned down. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. 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 upside objective is 987.80. The next area of resistance is around 976.10 and 987.80, while 1st support hits today at 959.50 and below there at 954.60.

COMEX COPPER (MAY) 04/20/2017: 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 objective is 2.46. The next area of resistance is around 2.56 and 2.59, while 1st support hits today at 2.50 and below there at 2.46.

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										
GCAM7	1281.0	62.63	63.20	81.93	82.06	1288.88	1274.70	1264.36	1246.35	1239.88
SIAM7	18.135	48.90	52.51	71.59	63.22	18.36	18.26	18.21	17.91	17.81
PLAN7	967.80	51.13	50.37	62.87	67.49	979.35	968.48	964.85	977.52	984.50
CPAK7	2.52	35.39	38.38	25.32	19.22	2.56	2.59	2.62	2.65	2.66

Calculations based on previous session. Data collected 04/19/2017

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						
GCAM7	COMEX Gold	1265.2	1272.3	1282.5	1289.6	1299.8
SIAM7	COMEX Silver	17.930	18.015	18.170	18.255	18.410
PLAN7	COMEX Platinum	954.60	959.50	971.20	976.10	987.80
CPAK7	COMEX Copper	2.45	2.49	2.52	2.56	2.59

Calculations based on previous session. Data collected 04/19/2017

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