



DAILY METALS COMMENTARY

Thursday August 10, 2017

PRECIOUS METALS COMMENTARY

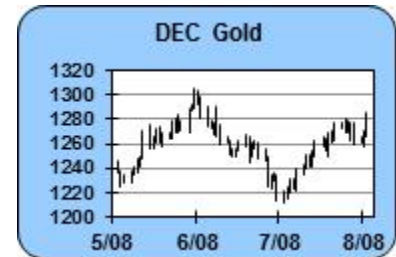
08/10/17

The trend remains up off North Korean plans

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD +7.80, SILVER +21.70, PLATINUM +6.80

OUTSIDE MARKET DEVELOPMENTS: Global equities were weaker overnight with the exception the RTS Index and the AT Com SHR which managed minimal gains. In addition to the latest North Korean/US political dialogue twist the trade was also presented with Japanese capital flows data which showed a large increase of inflows into Japanese Bonds from foreign investors but that news was offset by an outflow of investment from Japanese stocks. The markets also saw Japanese machinery orders slipping by 1.9% in the month of June. The trade will be presented with French industrial output that is expected to contract and Italian trade balance results. Also out from the economic front is UK construction output which is expected to firm at the same time that UK industrial output is expected to climb back into positive territory. Other measurements from the UK expected to show economic improvement are manufacturing output and a smaller trade deficit. However the most important data points today might come from a series of inflation measures from France, Germany, Italy, Russia and the United States. The most prevalent economic data point from the US will come in the form of initial claims which is expected to be unchanged. Traders should also be aware that the New York Fed President Dudley is scheduled to speak at 2 PM central time today. The trade will also be presented with an auction of \$15 billion in 30 year bonds from the US.



GOLD / SILVER

With yet another exchange between North Korea and the US seen overnight the latest new high for the move in gold is justified from a geopolitical/safe haven perspective. Apparently the North Koreans have detailed their plans for a missile test that is expected to land just short of the US territory of Guam. The projected path of the missile test is expected to overfly Japan and is supposedly expected to be ready by "mid-August". The state run North Korean press agency also suggested that absolute force is the only option against the aggression of the United States. A fresh issue that is capable of holding back gold prices is news from India that the government might consider raising the net import duty on gold which decreased under the latest GST tax implementation. Apparently the Indian government is concerned about the recent significant jump in gold imports and is considering various "options" to prevent gold imports from disrupting the Indian balance of payments again. Another issue capable of holding back but not halting the upward grind in gold and silver prices is the overnight hints from the Fed's Evans that the Fed could begin reducing its balance sheet next month. While the dollar is a partial headwind for gold early today the latest salvo from North Korea should concentrate the focus in the precious metals markets on the ongoing political dialogue exchange between North Korea and the US. It is a very good bet that the US and perhaps the Japanese will respond to the North Korean "details" of their test that is expected to end within 50 km of Guam. An issue that might impact gold and silver prices later in the session today is a speech from the New York Fed President Dudley and the markets will also take some temporary direction from US PPI inflation measures which are expected to show some uptick. Unless the US decides to walk away from the North Korean situation, another volley of incendiary dialogue is expected today. Given that December gold has shown interest in the \$1300 level on four separate occasions (since October of last year) that level remains a possible near term upside target.

PLATINUM

The path of least resistance remains up in platinum and to a lesser degree in palladium. However spread players should be very careful assuming the PGM markets will react differently to a broad risk-off condition. In fact North

Korea could propel both markets higher in the event of a severe denigration of the situation or it could end up deflating one or both markets ahead. From a fundamental perspective we are leery of playing the long side of platinum in hopes of a sustained safe haven inspired rally but it is difficult to argue against the uniform July and August rally and the fact that the October contract has slashed up through its 100 and 200 day moving averages. In the near term the platinum market looks to be tightly correlated with the price action in gold and perhaps inversely with the action in global equities. A fresh supportive development was seen overnight in the wake of news that Japanese palladium imports in the first half of this year increase by 5% over year ago levels. The gain in palladium imports was reportedly the result of an active automobile industry and improving growth in Japan and the world. However in a surprise development platinum derivative holdings fell back sharply from their recent peak while palladium derivative holdings notched a minor increase to stand at the highest level since May. For the time being the PGM complex looks to remain in the safe haven/flight to quality market group and more gains are anticipated.

TODAY'S MARKET IDEAS:

At least in the short term gold and silver prices are likely to maintain an inverse relationship with global equity markets. As indicated already near term upside targeting is the \$1300 level in December gold with similar targeting in September silver seen up at the first long-term moving average of \$17.18. With consolatory dialogue between the US and North Korea highly unlikely given the latest volley there is little reason to think the rallies in gold and silver have run their course. In fact detailed launch plans that include a track over Japan brings in another party to the dialogue parade.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

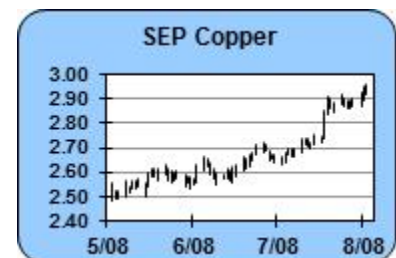
None.

COPPER COMMENTARY

08/10/17

Demand fears are starting to surface off sliding equities

GENERAL: With the copper market earlier this week ranging sharply higher off a series of favorable demand headline reports from China, fears of idled Chinese production because of pollution and an earthquake there was justification for the peak in prices up at \$2.9550. However the ongoing war of words between the US and North Korea is escalating and global equity markets have started to make notable retrenchment's and that should begin to have negative demand repercussions for copper prices. Furthermore there has also been some talk that the elevation of prices above the \$2.70 level has rekindled some exploration and talk of expanded production which in turn provides a fresh negative psychological influence in the marketplace. One might also expect at least a nominal correction given the puncturing of global optimism that is unfolding this week in the wake of the US/North Korean headline joust. At least in the short term we expect the copper market to establish a tight inverse correlation with global equities and perhaps to the crude oil market as demand/not supply has been the main fuel for the gains of the last month. Granted the trade was also pushed higher by forecasts of tightening supply because of strikes earlier this year but that should be baked into the cake at \$2.90. On the other hand a lengthening string of noted LME copper stock daily declines and the news that China is winding down some production of copper and other polluting endeavors should continue to provide support against a wholesale correction.



MARKET IDEAS:

With another higher high for the move the copper market continues to look very strong from a classic chart perspective but the North Korean situation has definitively increased the risk to longs as a global meltdown would certainly deal lofty copper demand hopes and copper prices a serious blow. The trend remains up but we want no part of being long above the \$2.93 level!

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 (DEC) 08/10/2017: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The market's short-term trend is positive on the close above the 9-day moving average. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next downside target is now at 1259.9. The next area of resistance is around 1291.4 and 1297.4, while 1st support hits today at 1272.6 and below there at 1259.9.

COMEX SILVER (SEP) 08/10/2017: The market now above the 60-day moving average suggests the longer-term trend has turned up. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next downside target is now at 16.295. The next area of resistance is around 17.140 and 17.275, while 1st support hits today at 16.650 and below there at 16.295.

COMEX PLATINUM (OCT) 08/10/2017: Momentum studies are trending higher but have entered overbought levels. The market's close above the 9-day moving average suggests the short-term trend remains positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside objective is 989.90. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 984.00 and 989.90, while 1st support hits today at 973.20 and below there at 968.30.

COMEX COPPER (SEP) 08/10/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market could take on a defensive posture with the daily closing price reversal down. The market's close below the pivot swing number is a mildly negative setup. The next upside target is 2.97. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 2.94 and 2.97, while 1st support hits today at 2.91 and below there at 2.90.

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										
GCAZ7	1282.0	67.85	63.71	78.95	76.77	1268.48	1272.76	1263.75	1256.59	1260.80
SIAU7	16.895	65.59	60.40	62.12	61.19	16.45	16.60	16.49	16.50	16.69
PLAV7	978.60	80.98	71.55	89.72	90.42	973.40	959.87	944.86	932.53	937.14
CPAU7	2.92	77.43	75.73	88.71	90.14	2.92	2.90	2.83	2.72	2.68

Calculations based on previous session. Data collected 08/09/2017

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						
GCAZ7	COMEX Gold	1259.8	1272.6	1278.6	1291.4	1297.4
SIAU7	COMEX Silver	16.294	16.650	16.785	17.140	17.275

PLAV7	COMEX Platinum	968.30	973.20	979.10	984.00	989.90
CPAU7	COMEX Copper	2.89	2.90	2.93	2.94	2.97

Calculations based on previous session. Data collected 08/09/2017

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