



DAILY METALS COMMENTARY Wednesday January 25, 2017

PRECIOUS METALS COMMENTARY

01/25/17

A breakdown on the charts despite weaker \$ favors the bears

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD -5.80, SILVER -23.00, PLATINUM -10.40

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were mostly higher with the exceptions being the RTS Index and the MICEX Index. The Asian economic calendar brought forth the first Japanese trade balance result in six years with some analysts suggesting that the surplus was the result of lower oil prices and stronger exports to China. The European session started out with a January reading on French business climate that softened relative to December's reading and that was followed by the January IFO survey of German business climate reading that contracted. The North American session will be relatively quiet and will feature a weekly reading on mortgage applications and the FHFA house price index. A busy day of earnings announcements will include Novartis, Boeing, United Technologies, Abbott Labs, Illinois Tool Works and Norfolk Southern before the Wall Street opening while AT&T, Qualcomm, Las Vegas Sands and McKesson report after the close.



GOLD / SILVER

After finishing weak in the prior trading session February gold has extended the downside probe in the early Wednesday trade. The market seemed to be undermined by fears of softening Chinese gold demand into lunar New Year celebrations. Surprisingly the declines this morning have taken place in the face of weaker dollar action and that is telling. It should also be noted that February gold fell below a two month old uptrend channel support line at \$1,206.80 this morning. While we doubt news of higher gold (+24%) and silver production (+13.1%) from FRESNILLO prompted the decline in prices today that news could have contributed. With new all-time highs in several US equity market measures and several global measures it isn't surprising to see gold and silver suffer some safe haven long liquidation. In the end seeing gold and silver falter in the face of weakness in the dollar suggests a moderate change in metals market sentiment. The world's largest gold ETF saw their holdings fall by 2.96 tonnes and reach their lowest level since late April. In the end, gold and silver violated critical uptrend channel support and a shift to a more favorable economic environment around the world and particularly in the US might leave gold and silver vulnerable.

PLATINUM

While the PGM markets did not show initial reaction to predictions of a shift of interest by the Chinese investors toward platinum and palladium, prices eventually caught a surprisingly bullish tide just ahead of the US release of scheduled data on Tuesday morning. It is possible that this week's gains are largely the result of the prospect of US economic stimulus, favorable international data flows and the prospect of further erosion in the US dollar. Other issues that might have lifted PGM prices yesterday were strong inflows into South African platinum mining shares and signals of merger and buyout activity among the miners. Seeing strong capital inflows into Johannesburg PGM shares could be a precursor to renewed ETF interest in the complex. Another issue that might've provided buying into platinum and palladium were promises from President Trump to help the big three automakers in the US do more business. Lastly there has been talk that China will be a buyer of larger amounts of PGM's as they move to address a significant air pollution problem.

TODAY'S MARKET IDEAS:

In addition to this week's slight improvement in attitudes toward paper assets, the gold market continues to battle forecasts (this time from the WGC) predicting weakness in Indian gold demand ahead due to restrictive domestic

financial regulations. In fact, there are also fresh demand concerns toward China this week as analysts think Chinese demand will soften into the Lunar New Year holiday. Uptrend channel support and a critical pivot point in the gold trade was \$1,211.10 in February gold and that level was violated early on. While we can't fully away control from the bull camp, we are expecting the bear camp to control today with ongoing positive action in global equities and negative chart signals. In fact the bull case might need a fresh dollar index trade today back below this week's low of 98.88 to rekindle the currency-related support. Uptrend channel support in March silver was also violated at \$17.03 and there might be little in the way of additional support until the \$16.74 cent level.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COPPER COMMENTARY

01/25/17

Modest corrective action for today

GENERAL: At least in the short term, copper prices might correlate with US equity prices but initial divergence this morning might indicate copper is at least temporarily overbought and vulnerable to corrective action. Some might suggest that the looming Chinese holiday is negative to prices over the coming week. It is very surprising that copper has all but discounted news of a strike at a large Chilean mine but that news was likely factored into the recent rise above the \$2.70 level. In fact, prices this morning are weaker despite news that BHP managed to post a production increase for the first half of 2016. In the end the copper market was probably overdone and the COT positioning report to be released at the end of this week should register that severe condition.



MARKET IDEAS:

While we can't fully take control away from the bull camp yet, the copper market has become significantly short-term overbought and it has discounted news of a strike at one of the world's largest copper mines in Chile. As suggested already the most recent commitments of traders positioning reports showed copper to already be moderately overbought and since the last positioning report, March copper managed nearly 10 additional cents on the upside and that should put copper right back to the vicinity of a record long positioning. While upside targeting in March copper might still be seen at \$2.7440 we would suggest that longs begin to bank profits and move to sidelines as a near term slide to a normal corrective target on the charts of \$2.6235 might be seen directly ahead.

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 (FEB) 01/25/2017: The daily stochastics have crossed over down which is a bearish indication. 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 daily closing price reversal down is a negative indicator for prices. The close below the 1st swing support could weigh on the market. The next downside target is now at 1197.4. The next area of resistance is around

1216.2 and 1225.1, while 1st support hits today at 1202.4 and below there at 1197.4.

COMEX SILVER (MAR) 01/25/2017: 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. The daily closing price reversal down is a negative indicator for prices. The market tilt is slightly negative with the close under the pivot. The next upside target is 17.428. The next area of resistance is around 17.262 and 17.428, while 1st support hits today at 16.978 and below there at 16.859.

COMEX PLATINUM (APR) 01/25/2017: A bullish signal was given with an upside crossover of the daily stochastics. Rising stochastics at overbought levels warrant some caution for bulls. The market's short-term trend is positive on the close above the 9-day moving average. The market's close above the 2nd swing resistance number is a bullish indication. The near-term upside target is at 1023.67. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 1012.34 and 1023.67, while 1st support hits today at 986.05 and below there at 971.08.

COMEX COPPER (MAR) 01/25/2017: A bullish signal was given with an upside crossover of the daily stochastics. 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 market's close above the 2nd swing resistance number is a bullish indication. The next upside target is 2.76. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 2.74 and 2.76, while 1st support hits today at 2.68 and below there at 2.62.

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										
GCAG7	1209.3	64.24	60.92	86.92	86.43	1207.83	1205.43	1186.22	1175.91	1199.68
SIAH7	17.120	64.58	59.33	83.23	83.98	17.10	17.03	16.73	16.64	16.99
PLAJ7	999.20	70.13	65.19	81.05	84.02	980.03	980.29	963.13	941.70	951.82
CPAH7	2.71	71.19	66.50	71.46	77.53	2.65	2.65	2.59	2.59	2.53

Calculations based on previous session. Data collected 01/24/2017

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						
GCAG7	COMEX Gold	1197.3	1202.3	1211.2	1216.2	1225.1
SIAH7	COMEX Silver	16.858	16.977	17.143	17.262	17.428
PLAJ7	COMEX Platinum	971.07	986.05	997.37	1012.34	1023.67
CPAH7	COMEX Copper	2.61	2.67	2.69	2.74	2.76

Calculations based on previous session. Data collected 01/24/2017

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