



## DAILY METALS COMMENTARY

Thursday January 26, 2017

### PRECIOUS METALS COMMENTARY

01/26/17

**The bear camp retains control more losses expected ahead**

#### OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

**GOLD -6.50, SILVER -12.00, PLATINUM +0.70**

**OUTSIDE MARKET DEVELOPMENTS:** Global equity markets continued to show positive risk appetites with the only weak market overnight the RTS Index. Overnight the German GfK Consumer confidence report came in better than expected a Spanish jobless survey showed a reduction in unemployed readings and UK 4th quarter GDP came in a touch better than expectations. Countervailing the positive flow of economic data was a contraction in Italian retail sales for November on a month over month basis. The North American session will start out with a weekly reading on initial jobless claims that are expected to see a moderate increase from the previous 235,000 reading. December wholesale inventories are forecast to show a minimal downtick from November's +1.0% reading. The Chicago Fed's national activity index will also be released during the early US data window. Later in the morning, the Conference Board's leading indicators for January is expected to uptick from December's unchanged reading. December new home sales are forecast to hold steady with November's 592,000 annualized rate. The KC Fed's January manufacturing index will be released during midday US trading hours. Earnings announcements will include Comcast, Celgene, Bristol Meyers Squibb, Dow Chemical, Biogen and Ford Motor before the Wall Street opening while Alphabet (Google), Microsoft, Intel and Starbucks report after the close.



#### GOLD / SILVER

With the gold market ranging down sharply and falling to the lowest level since January 13th yesterday, the December and January uptrend pattern is already in jeopardy. With gold and silver also falling off sharply this week in the face of weakness in the dollar, it would appear that optimism toward the equity markets is indeed prompting precious metals bulls to bank profits and head to the sidelines. Adding into the bearish tilt this morning is news from Gold Fields Mineral Services that global physical demand for gold hit a 7 year low last year! Furthermore the world's largest gold ETF saw their holdings fall by 5.04 tonnes on Wednesday to reach their lowest level since March 16th of last year. Therefore investor interest in gold hasn't surfaced on the December and January rally and weaker cash and futures prices ahead might even foster further outflows from ETFs and from futures. With uptrend channel support lines violated in gold and silver, the technical bias is down and the 50 day moving average down at \$1,179.40 in Feb gold might become a near term objective especially if the Dollar shows further strength beyond US scheduled data flows this morning. The 50 day moving average in March silver is seen at \$16.655 today and it has also violated a series of up-trend channel support lines with the weakness of the last two sessions. We have to leave the technical and fundamental edge with the bear camp in the gold and silver markets especially with paper assets in vogue over hard assets. In the end without a very sharp slide/breakout down in the dollar it could be difficult to arrest this week's washout.

#### PLATINUM

With the PGM complex coming off 2 days of extensive volatility and seeing significant volatility early last week there would appear to be a major junction in prices ahead. Therefore corrective action in the platinum group metals yesterday wasn't at all surprising especially since the gains this week seem to have been the culmination of various indirect market influences. Like gold, the PGM complex was probably and should continue to be undermined by the rotation of money into US equities, and we also suspect that overt weakness in gold and silver is also spilling over into the platinum group metals complex. In the end, the environment for platinum group metals has deteriorated and we can't argue against a near term slide to the early January lows. An issue that might lend

some support to PGM prices in the future is news that South African platinum producer Sibanye Gold indicated it may have to cut up to 330 jobs in platinum operations to achieve its cost reduction goals. Seeing job cuts in a country already facing unemployment above 20% could result in labor repercussions. Initial support in April platinum today is seen close-in at \$975 while initial support in March palladium is seen down at its 50 day moving average at \$728.

**TODAY'S MARKET IDEAS:**

Clearly the technical picture in the gold and silver markets remains in favor of the bear camp. With the high this week posting a gain of \$104 an ounce above the December low in February gold, we suspect the market was significantly overbought in its net spec and fund positioning and therefore justified in giving significant ground. Furthermore with the fundamental focus of the gold and silver trade seemingly shifting to alternative investments, the heavy focus on the action in the dollar might be partially mitigated. However, the March dollar index is showing early signs of strength today and a rise above the prior 2 days highs of 1.0039 could prompt a fresh wave of selling today. Be advised the slide yesterday did violate uptrend channel support that had been in place since December 22nd in the gold market!

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**COPPER COMMENTARY**

01/26/17

**We expect a slight loss of upside momentum soon**

**GENERAL:** Yesterday the copper market forged another higher high and reached up to the highest level since November 28th. With a strike vote due this weekend at the Escondida mine in Chile, there are fears of reduced output at BHP and that should provide the bull camp with some residual support over the coming 2 trading sessions. Another issue that might lend some residual support to copper prices going forward is an unfolding tax battle between Freeport and the Indonesian government as that battle could result in physical export problems. However, the bear camp is attempting to hold back the rally this week by suggesting that Chinese copper demand could soften through their upcoming holiday and there was evidence overnight that Anglo-American and Kaz Minerals both reported higher copper output. On the other hand, seeing very favorable corporate earnings this week from cyclical/large industrial companies like Boeing and Alcoa combined with ongoing strength in US equity market measures would seem to be an ongoing underpin for copper prices. However given the low to high rally over the last five trading sessions of 15 cents, the market is clearly becoming short-term overbought.



**MARKET IDEAS:**

There are certainly plenty of reasons for copper prices to continue to rise as economic sentiment is upbeat the dollar is weak and there is a looming strike threat from Chile. However, short-term technical indicators are becoming more overbought and it is our opinion that a significant amount of bullish fundamentals have already been factored-into prices. Just as the \$2.60 level was seen as a strong value zone, we see prices above \$2.70 as difficult to hold without forward progression in equity prices and further improvement in US scheduled data. In fact, the inability to hold above \$2.6850 today could prompt a reversal of sorts. We would suggest that longs begin to bank profits but those that want to get short this market should avoid futures and purchase puts.

**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) 01/26/2017: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market setup is somewhat negative with the close under the 1st swing support. The next downside target is now at 1183.9. Short-term indicators on the defensive. Consider selling an intraday bounce. The next area of resistance is around 1208.4 and 1217.2, while 1st support hits today at 1191.8 and below there at 1183.9.

COMEX SILVER (MAR) 01/26/2017: The daily stochastics have crossed over down which is a bearish indication. Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The close below the 9-day moving average is a negative short-term indicator for trend. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is now at 16.628. Bearish daily studies indicate selling minor rallies this session. The next area of resistance is around 17.174 and 17.327, while 1st support hits today at 16.825 and below there at 16.628.

COMEX PLATINUM (APR) 01/26/2017: The daily stochastics gave a bearish indicator with a crossover down. Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. The close below the 1st swing support could weigh on the market. The next downside objective is now at 958.95. The next area of resistance is around 998.90 and 1015.75, while 1st support hits today at 970.50 and below there at 958.95.

COMEX COPPER (MAR) 01/26/2017: 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside objective is 2.75. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 2.73 and 2.75, while 1st support hits today at 2.70 and below there at 2.67.

## 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
<b>METALS COMPLEX</b>										
GCAG7	1200.1	55.52	55.66	85.01	80.72	1207.85	1205.99	1189.59	1175.51	1198.49
SIAH7	17.000	54.64	53.97	81.67	78.55	17.10	17.04	16.78	16.64	16.98
PLAJ7	984.70	56.65	56.72	80.16	78.39	987.05	981.19	967.70	942.51	952.08
CPAH7	2.71	71.21	66.51	74.69	81.27	2.67	2.66	2.60	2.59	2.54

Calculations based on previous session. Data collected 01/25/2017

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>						
GCAG7	COMEX Gold	1183.8	1191.7	1200.5	1208.4	1217.2
SIAH7	COMEX Silver	16.627	16.825	16.977	17.174	17.327
PLAJ7	COMEX Platinum	958.95	970.50	987.35	998.90	1015.75
CPAH7	COMEX Copper	2.66	2.69	2.71	2.73	2.75

Calculations based on previous session. Data collected 01/25/2017

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