

PRECIOUS METALS COMMENTARY

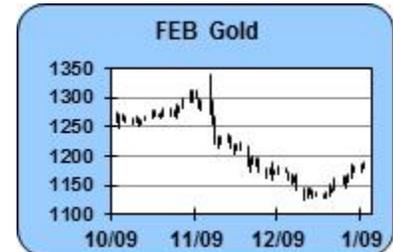
01/11/17

The bulls retains an edge mostly off suspect safe haven claim

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD +2.70, **SILVER** -5.30, **PLATINUM** -2.20

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were mixed with Asian markets generally weaker and European shares generally higher. The Asian economic calendar featured November Japanese leading economic index and coincident indexes both of which showed a slight beat of expectations. The European session brought forth November readings on UK industrial and manufacturing production both of which showed improvement from their October readings. The North American session will be relatively quiet data wise, and will be highlighted by a weekly reading on mortgage applications and a January reading for the Atlanta Fed's business inflation expectations survey. However, many traders will focus on President-elect Trump's news conference during morning US trading hours for signs of upcoming fiscal policy. NY Fed President Dudley will speak during afternoon US trading hours.



GOLD / SILVER

The gold market waffled around both sides of unchanged overnight but generally favored the upside. In fact, the February gold contract managed another minor higher high for the move and that would seem to leave the technical bias pointing upward. Surprisingly the gains early today are being forged in the face of adverse currency market action and news yesterday that Indian auto sales yesterday declined sharply (to the weakest level in 16 years). The sharp decline in car sales was thought to be the result of recent changes in Indian physical currency denominations. In our view, a significant sales decline in a major durable good category like cars might also suggest a dramatic contraction of Indian gold demand ahead. However, it is difficult to discount an ongoing up-trend on the charts and that favorable pattern is probably being fed in part by fresh doubt on the number of US Fed rate hikes that might be seen in the year ahead. In the end, seeing another higher high for the move again this morning would seem to leave the bull camp with a technical edge going forward. However as indicated in the prior trading session, while we can't argue against more gains we don't like the risk of being long from current level off what seems to be a mildly bullish environment. The market continues to refer to rising safe haven demand but we are having difficulty ascertaining the source of safe haven sentiment. Both gold and silver derivative holdings increased overnight

PLATINUM

Like the gold market, the April platinum market showed some signs of strength on the second trading session of

**** 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 The Hightower Report is strictly prohibited.*

The Hightower Report

Futures Analysis & Forecasting

the week and we suspect that action was largely the result of upbeat Chinese economic views that were in turn the result of somewhat hot inflation readings. Unfortunately, the January rally in platinum has taken place in the face of declining volume and open interest and that might suggest that the recovery is somewhat based in short covering and not as much in fresh longer term buying. We would like to see the January rally justified by evidence of fresh investment inflows to derivative holdings and/or a broad based "risk on" vibe but overnight palladium holdings actually declined by 18,883 ounces. Therefore, we can't deny the edge to the bull camp but we also don't want to pay up for fresh long positions in April platinum above the \$965 level. In palladium, the market spent a large portion of the Tuesday trading session inside the Monday range and it did manage to remain within close proximity to the recent highs. A critical pivot point in March palladium is seen today at \$756.50.

TODAY'S MARKET IDEAS: The bulls retain control, but we think that control is set to be challenged soon. However, the key factor driving gold and silver prices remains the prospect of weakness in the Dollar and the Dollar today is showing initial strength. We don't deny the presence of an uptrend, but we think longs should begin to follow the market higher with periodic tightening of profit stops. It might be difficult to deter February gold from a test of the \$1,200 level but a move above that level might require a more definable safe haven issue and a more pronounced slide in the March Dollar index back below 1.0180.

COPPER COMMENTARY

01/11/17

A modest upward track in prices remains in place

GENERAL: We suspect that a major portion of the rally yesterday in copper was the result of favorable Chinese inflation data. In fact, seeing the highest Chinese inflation reading in five years would seem to convey a much better economic outlook and therefore much better Chinese copper demand prospects are a justified assumption. In the end, seeing a positive US JOLTS report, seeing the number of 2017 US rate hikes called into question and seeing fears that a strike vote will probably take place on January 24th at the Escondida mine in Chile clearly gives the bull camp more ammunition than the bear camp. However, BHP reported a significant jump in November Escondida mine output relative to October and that has dampened the definitive upward track from the prior trading session. The market overnight did see smelter predictions of more price gains ahead due to a tightening supply condition and that probably justifies prices holding near this week's highs.



MARKET IDEAS: For the time being, we think the \$2.60 level will become some measure of value zone support. With lingering optimism toward Chinese copper demand, a threat of a possible strike later this month and

*** 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 The Hightower Report is strictly prohibited.

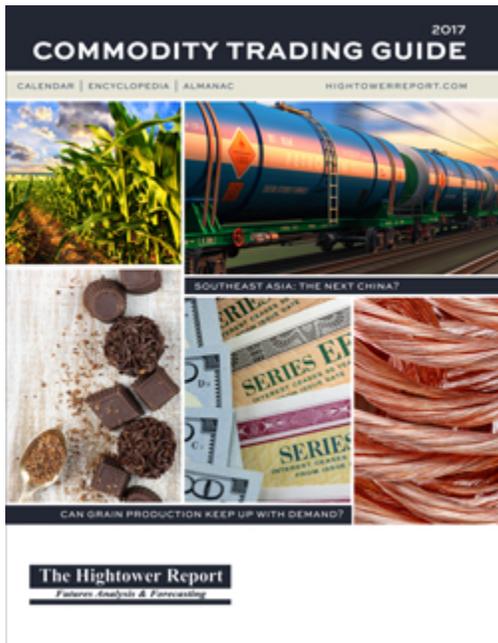
The Hightower Report

Futures Analysis & Forecasting

generally positive global equity markets action outside of Asia it might be possible to see March copper prices temporarily touch \$2.65 this week.

The Hightower Report

Futures Analysis & Forecasting



2017 Commodity Trading Guide

Featuring

- Futures and Options Expiration Dates
- Ten Years of Supply and Demand Tables
- Government & Industry Report Dates
- All-Time Contract High and Low Prices
- Global Crop Calendars
- Over 350 Charts & Graphs
- Traders' Glossary
- Contract Specifications

Where else can you find this much information & analysis in one place?

Only \$20 plus Shipping

Order Here: www.HightowerReport.com

*** 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 The Hightower Report is strictly prohibited.