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The Hightower Report
Futures Analysis & Forecasting

## PRECIOUS METALS COMMENTARY
***01/19/17***

**The bears camp holds the edge as the charts favor the bears**


**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**
**GOLD** -9.20, **SILVER** -29.40, **PLATINUM** -5.30

***OUTSIDE MARKET DEVELOPMENTS:*** Global equity markets were mostly weaker overnight with the Australian market managing a slight gain. We suspect that sentiment was partially knocked off balance overnight by predictions from Morgan Stanley that a US/China trade war could result in a 29% decline in stocks. The highlight of the European session today will be the results of the European Central Bank meeting with no changes expected to either policy or rates. The North American session will start out with a weekly reading on initial jobless claims that are forecast to see a modest uptick from the previous 247,000 reading. December housing starts and December building permits are both expected to show moderate increases from their November readings. The Philadelphia Fed's January manufacturing survey is forecast to see a notable decline from December's 21.5 reading. Fed speakers will include San Francisco Fed President Williams during morning US trading hours while Fed Chair Yellen will speak during the evening. Earnings announcement will include Union Pacific, Bank of New York Mellon and BB&T before the Wall Street opening while IBM and American Express report after the close.

### GOLD / SILVER
Despite the correction from the recent highs, we are not ready to call for a full end to the bull pattern in gold and silver. In fact despite the setback overnight, the February gold contract remains within and above the bottom of the uptrend channel put in place in mid-December. With only minor corrective action yesterday in the face of renewed strength in the dollar, one could conclude that the bull camp can absorb a measure of bearish outside market influences. However, this morning the declines in gold and silver appear to be a little overdone given the minimal rise in the Dollar. We would also note that the rally of the last month has only resulted in a casual climb in open interest and only recently a rise in daily trading volume and that might leave the precious metals with residual buying capacity. The net impact off US inflation data yesterday should help to underpin but one might also conclude that stronger than expected US industrial production results actually served to lower macro-economic uncertainty. Not surprisingly, the most dominating force for precious metals will continue to be the dollar and the trade will be watching the US scheduled report flow for its guidance in the greenback's value. The gold market was probably undermined slightly by news of higher quarterly gold production from Mining concern ACACIA.

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## PLATINUM

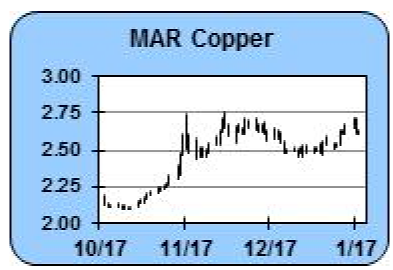
The PGM complex appears to have settled into a gradual slide on its charts. A temporary pause in the gold market rally and temporary adversity from the Dollar partially justifies some corrective action. After all, March palladium from the late December low to the January high forged a rather impressive $117 an ounce rally while April platinum from the late December low forged a low to high rally of $103 an ounce. In fact with the PGM complex garnering bullish headline coverage from the International Business Times this week and that coverage making note of the stellar 2017 rally, it is possible that the trade became too optimistic toward prices into the January high. However, we suspect that favorable US industrial production and capacity utilization readings yesterday help to shore up demand expectations for industrial metals. Unfortunately, normal corrective action is still possible with the first retracement point in April platinum seen down at $958. Similar retracement targeting in March palladium is seen down at $724.30.

***TODAY'S MARKET IDEAS:*** As suggested already, we don't see a near-term end for the upward bias in gold and silver but we also can't argue against a further measure of back and fill and perhaps a retest of up-trend channel support level. Uptrend channel support today in February gold is seen right on the early trade at $1202.40 while uptrend channel support in March silver is seen at the initial low today down at $16.86. The top of the uptrend channel in March silver is seen up at $17.44 while the top of the uptrend channel in February gold is seen up at $1228.30.

## COPPER COMMENTARY

***01/19/17***

**The bear camp retains an edge off US/China trade war fears**




***GENERAL:*** On one hand, the sharp decline in copper prices in the prior trading session was not surprising in the wake of the overbought condition into last week's high. We would also attribute part of the largest daily loss since late November (yesterday) to strength in the dollar and that bias continues again today. One might have expected the copper market to derive some fresh buying interest in the wake of rather strong US industrial production and capacity utilization readings yesterday but the world markets just don't seem to be in a mood to embrace a risk-on vibe. Therefore some level of ongoing corrective action is expected following the last four weeks' rally of $0.27 a pound. If some bulls are correct in asserting that this week's selling is the result of renewed US Chinese trade war fears, then copper prices probably have more downside action ahead before the January slide in prices runs its course. An issue that might lend a small measure of support to prices is the fact that daily LME copper stocks recently have remained in a contraction mode.

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***MARKET IDEAS:*** We suspect that March copper will attempt to respect the $2.60 consolidation support zone but we can't rule out temporary violations of that level especially with global equities tracking weaker today, and the dollar showing ongoing recovery capacity. Our pick for more significant support is seen down at $2.5785 while uptrend channel support off the recent January lows isn't seen until $2.5655.

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