

## PRECIOUS METALS COMMENTARY

02/22/17

**Watch for pressure from the Dollar and the FOMC release**

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

**GOLD** -0.70, **SILVER** -3.60, **PLATINUM** -2.20

**OUTSIDE MARKET DEVELOPMENTS:** Global equity markets were mostly higher overnight with the RTS Index and the MICEX measures bucking the trend and trading lower. The Asian session saw a January reading on the Chinese house price index which on the whole showed ongoing price gains but within the report cities like Shanghai and Shenzhen saw minor declines. The European session started out with a January reading on Italian CPI that showed a somewhat surprisingly strong +0.3% rise from December's level. The market also saw the February IFO survey of German business climate that was expected to come in at 109.5 but instead it rose to 111.0. Fourth quarter UK GDP was expected to hold steady on a month over month basis but it was revised slightly higher from the initial estimate. The highlight of the European session was the January Euro zone CPI which seemed a little weak at -0.8% but some Press outlets were suggesting that the year over year gain of +1.8% leaves the Euro zone clear of the deflation moniker. The North American session will start out with January Canadian retail sales that are expected to have a modest downtick from December's +0.2% reading. January existing home sales are forecast to see a modest uptick from December's 5.49 million annualized rate. Federal Reserve Governor Powell will speak during early afternoon US trading hours and there will be the release of the FOMC meeting minutes in the early afternoon trade. Earnings announcements will include TJX Companies and Southern Company before the Wall Street opening while Tesla and Public Storage report after the close.



## GOLD / SILVER

Once again, gold and silver forged noted downside probes on the charts before recovering impressively from those declines to start the trading week. However with the US dollar higher again and a prominent risk-on vibe emanating throughout the marketplace early this week one might expect some modest pressure to start today. Gold and silver might have been helped up off their lows and back into positive chart levels yesterday by comments from the Minneapolis Fed who suggested that the US economy had further to run before it would kick up inflation threats. In other words, the threat of a March rate hike might be downplayed a little and the US economy might be allowed to gather greater momentum than many were expecting. Seeing the US economy allowed to grow more than expected could allow a minor increase in inflationary expectations which were also stoked last week by hot CPI and PPI results. It is also possible that gold and silver might draw some positive correlation with crude oil in the near term, with a well-known investment bank touting the prospect of \$70 oil prices later this year. While the Dollar will react to US scheduled data today the main impact on gold might be the

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release of FOMC meeting minutes. With a higher Dollar, seeing anything hawkish from the Fed could result in another downside probe in the afternoon action.

## PLATINUM

Like gold and silver, platinum and palladium forged significant range down probes but managed to clearly reject that negative action to start the week. We would also note that the PGM complex is managing some minor gains this morning despite initial weakness in gold and silver. In addition to improving physical/industrial demand hopes in the wake of this week's early euphoria trend, the PGM markets should have garnered lift from news that Anglo-American PLC expects their mine production to remain flat in the coming quarters. Another issue that might lend support to the PGM markets is news that Switzerland exported more platinum than they imported last month. In other words, one of the key storage players in the world platinum market saw a slight tightening of holdings inside the country. Like silver, the PGM markets have continued to show impressive recovery action in the face of compacted selling events. However, both platinum and palladium made lower lows on the charts yesterday and for some that might offer some technical caution.

**TODAY'S MARKET IDEAS:** In retrospect, the bear camp has to be thoroughly disappointed and discouraged with the action in gold and silver on Tuesday as a three day extension of gains in the dollar and a massive decline in safe haven interest throughout the globe could have put gold and silver prices down hard and kept them down. Instead, April gold remains within a one month old uptrend channel with the bottom of that channel today seen at \$1,226.10 with the top of the uptrend channel not seen until \$1,247.20. Similar uptrend channel support in May silver is seen today at \$17.94, with the top of the channel in May silver not seen until \$18.28. Watch close-in support levels closely this morning as significant additional gains in the Dollar and a hawkish Fed could restart the prior-session's range down action.

## COPPER COMMENTARY

02/22/17

**Supply issues underpinning but not front & center this morning**

**GENERAL:** The range up extension in copper yesterday was not surprising in the wake of yet another "fresh" supply-side threat. In addition to the Chilean strike and Indonesian export permit problems, the copper trade has been presented with fresh permitting problems in Chile. In fact Anglo-American suggested they would simply walk away from the Chilean mine asset if they were not granted the necessary permits. However, the definitive risk-on/pro-growth psychology from yesterday is less prominent this morning and there is the threat of a higher Dollar and a hawkish Fed story line later today. Clearly a faster global economy appears to be coming into view and that



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141 W. Jackson Blvd. Suite 4002

Chicago, IL 60604

(800) 662-9346

<https://www.hightowerreport.com/>

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should correlate tightly with increased copper demand but prices this morning seem to be a little discouraged by the lack of gain in Chinese large city home prices and perhaps because of the overt strength in the Dollar. With a continued pattern of tightening supply and expanding demand expectations, a near term rally back toward \$2.80 might be in the cards but for today it looks like a retest of the \$2.70 level is in the cards.

**MARKET IDEAS:** As we have indicated recently the \$2.70 level appears to be some version of solid support but that level might be temporarily tested in a back in fill technical move today. However, one could also suggest that fundamentals have shifted a little bearish from patently bullish condition in the prior trading session. On the other hand the bearish bias could instantly be thrown off if the market sees news that labor talks in Chile aren't making progress. Uptrend channel support in May copper today was seen at \$2.7130 and that support line was tested early in a sign of some modest downside balancing. We see low support today down at \$2.6930.

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