

# The Hightower Report

Futures Analysis & Forecasting

## PRECIOUS METALS COMMENTARY

03/01/17

### Risk-on favors the bear camp

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

**GOLD** -10.60, **SILVER** -9.90, **PLATINUM** -4.20

**OUTSIDE MARKET DEVELOPMENTS:** Global equity markets were higher across the board overnight. The Asian session featured the two highlights for global markets during today's trading, starting with the release of both the "official" (NBS) and private (Caixin) February Chinese manufacturing surveys, both of which saw modest upticks from their January readings. President Trump's State of the Union speech is still being scrutinized by many traders and analysts but the reaction from most financial markets is for an improvement in growth prospects. The European session started out with Markit manufacturing PMI numbers that came in just below expectations but still solidly in the growth zone. UK February manufacturing PMI came in below expectations and weaker than the prior month's result. February German unemployment was expected to hold steady and almost all of the February readings within the report mirrored the prior month. The Bank of England released data on UK mortgage approvals and consumer credit which showed a slight increase over the prior month. The North American session will start out with January personal income which is expected to hold steady with December's +0.3% reading. The February ISM manufacturing index is forecast to see a modest downtick from January's 56.0 reading. January construction spending is expected to see a moderate increase from December's -0.2% reading and climb into positive territory. Later in the morning, the Bank of Canada's latest monetary policy meeting is expected to result in no change to either rates or policy. In the early afternoon, the latest FOMC Beige Book will be released. Dallas Fed President Kaplan and Fed Governor Brainard will speak during afternoon US trading hours. Earnings announcements will include Lowe's, Dollar Tree and Best Buy before the Wall Street opening while Broadcom and Monster Beverage report after the close.



## GOLD / SILVER

After some profit-taking selling helped to pressure the market late in the session Tuesday prices have extended the slide overnight because of ongoing strength in the Dollar and a decline in uncertainty following additional information on President Trump's policy goals. There had been a mild increase in risk aversion in front of the US State of the Union speech by President Trump which resulted in some safe-haven inflows into both metals but that wave is being reversed in the wake of fresh new all-time highs in many stock market measures this morning. With April gold jumping \$38.30 for the month of February and May silver up 4.3% for the month, a certain amount of corrective balancing should be expected. While traders hoped for details on tax-cutting plans and stimulus efforts that in turn would stir inflation and pro-growth prospects and at the same time drive up budget deficits that

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has not been the outcome for the Greenback. With a couple Fed members yesterday sparking increased fears of a March rate hike, the strength in the Dollar and weakness in precious metals is justified. Furthermore, the US mint sold just 27,500 ounces of American Eagle gold coins in February, which was down from 117,500 in January and down from 83,500 from last year. In a positive note that the gold market is apparently discounting is news from Gold Fields Mineral Services that Indian February gold imports jumped by 82% to 50 tons. The Press is suggesting that the Indian gold import surge was the result of pent up demand but the market is currently not in a position to embrace positive story lines. Gold derivative holdings did increase overnight by 28,631 ounces to stand at 52.1 million ounces.

## PLATINUM

Just as in gold and silver the recent rally in the PGM sector appears to have temporarily run out of steam as both platinum and palladium posted sizable losses on Tuesday and they have shown some additional weakness early this morning. In fact there was little in the way of carryover support from President Trump's speech which could have stoked optimism toward industrial commodities and that suggests that the PGM complex is tied to investment prospects as opposed to physical demand expectations. In fact the PGM complex appears to have discounted news of a major European bank forecast that suggested palladium would particularly benefit from stronger Chinese emission standards over the near future, but they also suggested that platinum would lag due to concerns over diesel engine vehicles.

**TODAY'S MARKET IDEAS:** The gold market is showing technical signs of an overbought condition with a decline in safe-haven interest combining with noted strength in the Dollar for a patently bearish outside market condition. With a fresh lower low for the move to start and bearish outside market forces in a front and center position we can't argue against a possible failure to hold an uptrend channel support line of \$1,241.60 in April gold. In the event that US rate hike talk extends today and or US scheduled data shows improvement we can't rule out a dip down to \$1,240 in April gold.

## COPPER COMMENTARY

03/01/17

**The bulls regain definitive control off supply & demand issues**

**GENERAL:** Copper has managed to overcome lukewarm risk appetites early this week and has now ranged up sharply in a move that is at least partially inspired by the wave of economic optimism off the President's speech. However copper might also be drafting some lift from favorable Chinese manufacturing results. Supply issues in Chile and Indonesia remain an underlying source of support as they both show no signs of being resolved anytime soon. In fact,



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Freeport overnight suggested that they have not resumed copper concentrate production at the Grasberg mine and that ore production per day is only 20,000 tons and as a result of the troubles the company has revised its 2017 daily production down to 95,000 tons versus an initial 140,000 ton projection. In addition, there was news that Chilean copper production was down 2.6% from last year's total which provides further evidence of supply-side issues.

**MARKET IDEAS:** May copper has support climbing up to the \$2.7365 level, but Trump's speech and favorable Chinese manufacturing news might allow for a near term return to the \$2.80 level.

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