

# The Hightower Report

Futures Analysis & Forecasting

## PRECIOUS METALS COMMENTARY

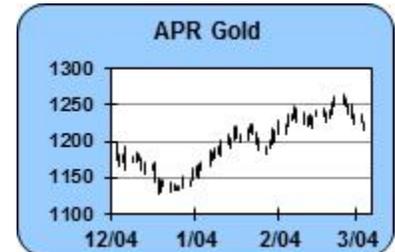
03/08/17

**No reason to take control away from the bear camp yet**

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

**GOLD** -1.90, **SILVER** -8.60, **PLATINUM** +0.10

**OUTSIDE MARKET DEVELOPMENTS:** Global equity markets were mixed overnight with Asian shares weaker, and the rest of the world trading higher. The Asian economic calendar started out with a reading on fourth quarter Japanese GDP that came in at a +1.2% annualized rate that was well below trade forecasts. A highlight for global markets was a February reading on the Chinese trade balance that showed its first deficit in 3 years. A February reading on the Japanese Eco Watchers survey showed an unexpected decline. The European session was presented February German industrial production which jumped by 2.8%. The North American session will start out with the February ADP employment survey which is expected to show a sizable decline from January's 246,000 reading. Fourth quarter readings on unit labor costs and non-farm productivity is forecast to come in roughly in-line with their third quarter results. February Canadian housing starts are expected to show a modest decline from January, while February Canadian building permits are forecast to have a sizable increase from January's -6.6% reading and climb into positive territory. January wholesale inventories are expected to hold steady with December's -0.1% reading. Earnings announcements will include Valspar, Ciena and Tech Data before the Wall Street open while United Natural Foods reports after the close.



## GOLD / SILVER

The gold market made another fresh lower low for the move overnight and it forged the lowest price since February 3rd, and that leaves the technical picture bearish going forward. Not surprisingly, the action in the dollar this week is probably the primary driving force behind the ongoing selloff, but we also think the trade is well aware of the headlines from the Press that continue to trumpet the prospect of a US Fed rate hike next week. In fact, so far this week the gold and silver trade has not seen much in the way of bargain-hunting buying and/or a pickup in trading volume as if some type of value zone has been found on the charts. Adding into the negative bias in gold is bearish comments from a noted longtime US gold analyst and weakness in South African gold shares yesterday. Lastly, both gold and silver might see fresh pressure from declining safe haven interest off comments from the US Secretary of Commerce who indicated that fixing NAFTA would help Mexico, as that might temper the threat of the trade war between two large trading partners. An issue that might lend some support to gold prices this morning is World Gold Council predictions that Indian gold demand will recover to 650-750 tons in 2017 and that comes after Indian gold demand reached a 7 year low in 2016. While the bull camp could still be

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saved by a fresh escalation of tensions with North Korea, a reversal in the dollar or a dovish shift from the US Fed those developments are unlikely.

## PLATINUM

With a sharp range down extension in platinum yesterday, a fresh lower low again this morning and the lowest price since January 20th, the picture in April platinum is decidedly negative. In fact, the large range down extension yesterday was seen on high-volume and while that might indicate a wave of cleansing stop loss selling by the longs, it could also indicate an increase in short side interest. Apparently seeing the prospect of ongoing investigations into Russian involvement in the US political process from the US Senate was not supportive of PGM prices, as there doesn't appear to be a near term prospect of sanctions that would disrupt exports of metals. While the palladium market avoided the type of weakness seen in the platinum market in the prior trading session, further declines in platinum could result in unfolding weakness in palladium. While the overall economic vibe throughout the globe is still positive, platinum demand expectations are probably being dented by this week's choppy to lower global equity market action.

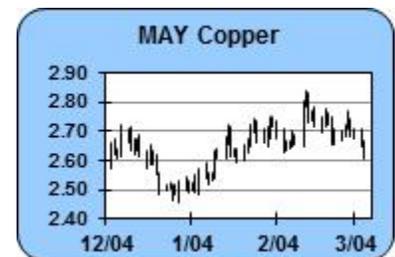
**TODAY'S MARKET IDEAS:** Without a sudden change in headlines and fundamental news flow, we can't argue against additional downside action in April gold. As indicated already, the next downside targeting in April gold might be \$1208.30 and perhaps even numbers of \$1200. The May silver contract has failed at psychological support of \$17.50 overnight, and it could be dragged down to \$17.33 in the event that gold losses continue to mount. About the most positive thing that can be said about gold and silver from a technical perspective is this week's declines have come on low volume.

## COPPER COMMENTARY

03/08/17

**There is no reason to take control away from the bear camp**

**GENERAL:** The copper market forged a fresh downside breakout and the lowest price since January 20th yesterday but it has shown some modest recovery action early this morning. The copper market is apparently uninterested in the preexisting supply-side threats in Chile, Peru and Tanzania. However, with ongoing talk of slack Chinese/Asian copper demand off a sensational pattern of builds in LME copper stocks this week (over 92,000 tonnes in the past three sessions) there appears to be enough supply in available positions to meet any lost physical mining supply. In other words there is an offset to supply issues from the front end of the supply chain from the tail end of the supply chain. While Chinese imports of unwrought copper were down -10.5% in February Copper ore & concentrates rose by 14.4% and therefore February copper trade news from China was offsetting.



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Copper is also damaged as a result of ongoing strength in the dollar this week, unfolding weakness in US equities and the constant drumbeat of higher US rates. Until the strikes regain the focal point over rising exchange stockpiles and equities return to a definitive risk-on vibe, it could be difficult to arrest the slide in copper prices.

**MARKET IDEAS:** While the \$2.60 level might offer some support to May copper today, a further support point might be tested down at \$2.5905 in the wake of yet another massive build in LME copper stocks. Therefore we would prefer to buy a deeper break as fresh longs might have to risk positions to the \$2.5030 level. In order to turn the tide around probably requires several days of declines in LME copper stocks, a rally back above a downtrend channel resistance line at \$2.7375, a sudden return to definitive risk-on and or something very positive from the Chinese economic front.

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- Dave Hightower



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