

PRECIOUS METALS COMMENTARY

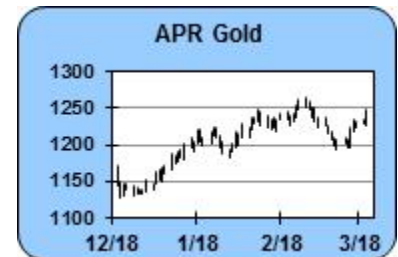
03/22/17

A slight pause as equity market anxiety is modest to start

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD -1.10, **SILVER** -7.30, **PLATINUM** -5.70

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were all off moderately overnight in what was probably a catch-up to the US action on Tuesday. The Asian session featured the February Japanese trade balance which showed an increase in both imports and exports and that might point to minimally positive traction in that economy. In fact Japanese exports rose to the highest level in two years in the release today. The European session was fairly quiet with a January reading on the Euro zone current account that showed a slight narrowing. The North American session will start with a weekly private survey of mortgage applications and the January FHFA housing price index which is forecast to be in-line with December's 0.4% reading. February existing home sales are expected to see a moderate downtick from January's 5.69 million annualized rate. Earnings announcement will include Cintas after the Wall Street close.



GOLD / SILVER

The reasons behind the sharp range of movement in the gold market this week have been more varied than in the recent past. However, a slight bounce in the Dollar and only modest declines in US equities has left gold and silver flat footed to start today. In the action yesterday, the gold market drafted early support from developing weakness in the dollar but the bull case was ultimately fanned by warlike talk between the US and North Korea and that issue might periodically provide additional buying going forward. Some analysts suggest that the Trump Administration will need to flex its muscle on the North Korea situation to establish credibility and that could result in an escalation of tensions and perhaps a showdown. We also think that gold saw some additional buying interest from sharp declines in US equities as the magnitude of the losses in the stock market probably resulted in some safe haven fund migration from paper assets to hard assets. Therefore the bull camp will need a resumption of equity market declines to shift the bull camp back in control of prices. Others might suggest increased terrorism concerns and intense Washington political wrangling added into a bullish environment for gold and silver. Apparently this week' news flow and gains in gold prices have stirred investors as the world's largest gold ETF saw their holdings rise by 4.15 tonnes on Tuesday and reach their highest level since March 16th. With such a diverse set of bullish themes swirling around the market, one has to leave the path of least resistance pointing upward in gold and silver.

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PLATINUM

The platinum group metals joined in with the strength in the gold market from a safe haven perspective yesterday but there appears to be a slight pause in the bullish track to start this morning. However, platinum and palladium could have felt some pressure from significant weakness in equities and deterioration in macroeconomic sentiment, but instead they chose the safe haven path on Tuesday. While it is a long shot, it is possible that talk of Russian tampering in the US election is prompting some speculators to anticipate trade sanctions against Russia that in turn could put some global palladium supply in question. From a technical perspective, action on the charts has been very impressive with palladium seeing little in the way of resistance now until an old double high at \$796. While the platinum chart is less impressive, it did manage a fresh upside breakout and it might have little in the way of resistance until the \$983.40 level.

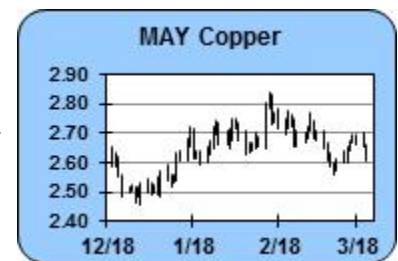
TODAY'S MARKET IDEAS: As indicated already, the gold market is drawing its strength from a rather long list of bullish themes but a little lack of direction is being seen to start this morning. While one could suggest the significant weakness in the dollar has been the primary driving force, significant weakness in US equities, deteriorating economic psychology, increased terrorism fears and warmongering toward North Korea could have an equal standing in the days ahead. While the gold market usurped its 50 day moving average on the upside last week, May silver yesterday also clawed its way back above that potentially critical bull/bear line on the charts. As we indicated in the prior session's coverage, April gold looks to be set to regain the \$1,250 level and perhaps challenge the late February high of \$1,264.90.

COPPER COMMENTARY

03/22/17

The bears retain control but value is getting closer

GENERAL: In addition to fresh technical chart damage in May copper yesterday, the trade seems to be buckling under the fear of the removal of a pair of supply disruptions. While talks of one of the labor disputes were reportedly in the offing in Chile, news that production might restart at a large mine in Indonesia leaves the bear camp with at least 2 themes. Just to add to the bull's troubles, the trade also saw the news this week that Peruvian copper output jumped by 25% in January. In the end while there are hopes of improved Chinese demand for copper ahead, there are also rumors swirling that Shanghai copper stocks at the end of this week are set to post a large build. In short, both demand and supply forces have shifted into the bear's court.



MARKET IDEAS: Next downside targeting in May copper is seen down at \$2.5880, and then not until the \$2.5585 level. In order to turn the tide away from the bear camp might require a rally back above \$2.6345. We do

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think that the net spec and fund long positioning (if adjusted for the slide this week) might have eradicated the spec long, and that could help to bring about a key low later this week.

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