

PRECIOUS METALS COMMENTARY

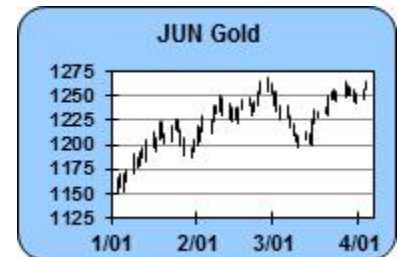
04/05/17

A slight pause expected as technical are balanced

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD -3.60, **SILVER** -5.80, **PLATINUM** +2.60

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were generally higher overnight as a private company concluded that Euro zone growth is settling in with PMI Services readings through the 1st quarter confirming some positive progression. The Asian economic calendar was relatively quiet due in part to a Chinese holiday, while the European session brought Markit services and composite PMI readings from around Europe that were in some cases slightly better than February but some of those readings failed to meet expectations. The North American session will start with a weekly reading on mortgage applications, which will be followed by the March ADP employment survey which is forecast to have a sizable decline from February's 298,000 reading. Following the US results for the Markit services and composite PMI numbers, the March ISM non-manufacturing PMI number is expected to have a moderate downtick from February's 57.6 reading. The FOMC will release the meeting minutes from their latest monetary policy gathering during early afternoon hours. Earnings announcements will include Walgreens Boots Alliance and Monsanto before the Wall Street opening while Bed Bath & Beyond report after the close.



GOLD / SILVER

The rally in the gold market this week appears to be a stealth rally with the gains this week generally forged in the face of a stronger dollar. However ongoing strength in US Treasuries and the Japanese Yen at the same time that strength in gold was unfolding would seem to signal at least a modest measure of safe haven interest operating in the current marketplace. Some traders will also suggest the gold market continues to derive support from the Russian terrorist incident, while others point to the ongoing threat of financial turmoil from the BREXIT process and the French election as ongoing credible safe haven catalysts. Some traders suggest that gold prices yesterday were lifted by a down shift in rate hike expectations in the wake of a softer than expected US national factory activity reading, but we doubt the trade was actually fearing a near term move by the Fed. While strength in the dollar is certainly an issue to gold and silver the gains of the past seven trading sessions in the Dollar appear to have been largely technical short covering in nature and not a reaction expected to extend aggressively ahead. We do think gold and crude oil will at times track closely together as hedge fund managers appear to be looking for industrial commodities with favorable fundamentals. Gold derivative holdings yesterday afternoon declined by 35,880 ounces while silver holdings declined by 1.3 million ounces. The market did see more

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evidence of active Indian Jewelry demand but that hasn't provided much support to gold prices in the early going today.

PLATINUM

The relative outperformance of platinum by palladium continued yesterday with palladium carving out yet another higher high for the move and the highest trade since March 27th. The gains this week appear to be the result of a modest improvement in global commodity demand expectations, but it is also possible that palladium continues to catch a bid from the terrorism incident in St. Petersburg. It is also possible that the PGM complex is garnering some lift from a forecast that pegs the world catalytic converter market at 55 billion by 2020. With platinum derivative holdings falling to the lowest level since March 2nd to start this week, it is not surprising to see July platinum pinned down to three month lows while palladium prices remain within striking distance of the highest level since early 2015. In the end, we think the upward bias in palladium is almost exclusively the result of consistent improvement in demand hopes, off a recovering global economy, but we also think that \$500 to \$700 palladium pricing was found to be extremely cheap pricing.

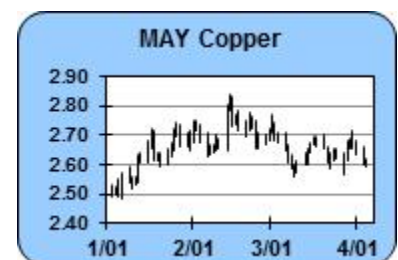
TODAY'S MARKET IDEAS: While we remain somewhat skeptical as to the potential upward appreciation in gold and silver prices directly ahead, we also can't take control away from the bull camp given recent price action. Fortunately, the gold market net spec and fund long positioning was pulled down significantly in the second half of 2016 as that liquidation effort probably helped the gold market to forge the \$125 an ounce rally off the late 2016 low without leaving the market technically overbought into the 2017 highs. Uptrend channel support in June gold today is seen at \$1247.50 and that support line rises to \$1250.40 on Thursday. Close in and potentially critical support in May silver is seen today at \$18.15 and initial resistance is now pegged at \$18.51.

COPPER COMMENTARY

04/05/17

Value appears to be established again at the \$2.60 level

GENERAL: The Tuesday trading range in the copper market was extremely narrow compared to the prior 15 days trade action and that might indicate that the market has found some measure of value on the charts. However a fresh lower low for the move and a temporary probe below the \$2.60 level yesterday could leave some would-be buyers on the sidelines today. Apparently Gold Fields Mineral Services has suggested that supply disruptions earlier this year might be ending, but the actual ramifications of those supply disruptions have yet to fully present themselves in supply-side statistics. Other issues that might provide some support to copper prices today are another moderate decline in LME copper stocks and talk that Chinese demand is surfacing again. However an issue that might offer



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Futures Analysis & Forecasting

141 W. Jackson Blvd. Suite 4002

Chicago, IL 60604

(800) 662-9346

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a longer-term limit on copper prices is suggestions from one copper producer yesterday that ongoing copper price gains (from the low levels seen in the fourth-quarter 2016) could result in some idled copper mining facilities being restarted. Another issue that could give the bear camp confidence in the coming trading sessions is projections that one of the world's largest copper mines in Chile expects its 2017 output to be above last year. Fortunately the bull camp has continued to see declines in daily LME copper warehouse stocks and fortunately the bull camp has also seen a generally positive forward demand condition off a generally improving global economic condition.

MARKET IDEAS: It goes without saying that technical action in May copper over the prior four trading sessions favored the bear camp but a definitive rejection of the sub-\$2.60 level appears to reverse sentiment and that also hints at some form of value around \$2.60. In order to see the overnight gain extend back to the \$2.70 level directly ahead probably requires more evidence of improving demand prospects from China and it might also require risk-on sentiment entrench into the market again.

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