

PRECIOUS METALS COMMENTARY

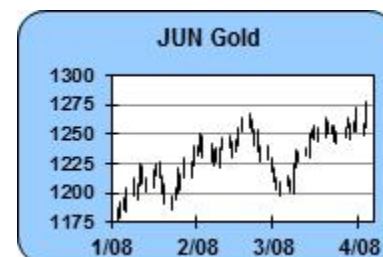
04/12/17

The bulls retain control as US/Russian tensions continue

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):

GOLD +2.30, SILVER +9.60, PLATINUM -0.80

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were mostly mixed but the positive markets might have outnumbered the weak markets. The overnight action was dominated by Russian President's assertions that the US strike in Syria was unjustified because of intelligence that the chemical weapons use was a ploy to inspire US retaliation against the Syrian government. The Asian economic calendar started out with February Japanese machinery orders that were expected to see a sizable increase and they did with a positive gain of 1.5%. March Japanese PPI did post an expected uptick from February's +1.0% year-over-year rate and those figures reached the highest level since late 2015. The highlight for the Asian session was the March Chinese CPI result which edged down but that was counter vailed by gains in the year over year CPI measure. The European session started out with a March reading on German wholesale prices that were down slightly from last month and that was followed by a reading on UK unemployment that held steady at 4.7%. The North American session will start out with the March import price index and March export price index, both of which are expected to see modest downticks from their February readings. The Bank of Canada will release the results of their latest monetary policy meeting that is forecast to have no changes to either rates or policy. Dallas Fed President Kaplan will speak during morning US trading hours. Earnings announcement will include Delta Air Lines before the Wall Street opening while Infosys Limited reports after the close.



GOLD / SILVER

The gold market has started the Wednesday trading session with yet another higher high for the move and the highest price print since November 10th and those gains are largely the result of accusations between the Russian leader and the White House. The Russians claim the attacks were carried out by Syrian rebels in a way that would cast blame on the Syrian government while the White House accuses the Russians of attempting to cover up the attacks in an effort to shield the current regime. Limiting the gold market to start today are comments from China urging a peaceful solution to the North Korean situation, a down tick in Chinese inflation and initial support at the prior session's low in the dollar index. However the situations in Syria and North Korea don't appear to be close to resolution with the first round of the election in France also not culminating until April 23rd. Comments from Goldman on gold overnight would appear to be bullish in the short-term but bearish on a three month basis and that might have fostered the new high and quasi-reversal from that high overnight. In order to see a currency related rally in gold and silver this morning probably requires a trade back below 1.0049 in the

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June dollar index, more significant gains in crude oil pricing and or sharp gains in US March import/export prices. The world's largest gold ETF saw their holdings rise by 4.15 tonnes on Tuesday to reach their highest levels since March 2nd.

PLATINUM

While platinum and palladium showed early divergence yesterday, that divergence narrowed and mostly disappeared in the face of the big mid-morning recovery rally in the precious metals complex that was generally fostered by geopolitical concerns. It goes without saying that ongoing and expanding geopolitical anxiety off Russian & US involvement in Syrian affairs has served to lift PGM prices this week, as a breakdown in relations and or the need for sanctions against Russia is giving the PGM markets an added lift off because of Russia's PGM supply capacity. However the more compelling case for the bull camp in the palladium market might be the technical action on the charts this week with the low Tuesday holding above the Monday low and the June palladium contract rejecting this week's lows with a definitive recovery rally. Therefore we suspect the bear camp is injured and vulnerable to being stopped out if additional higher highs are seen ahead. Initial resistance and a potential pivot point in June palladium today is seen at \$802.40 with uptrend channel support today rising to \$789.50.

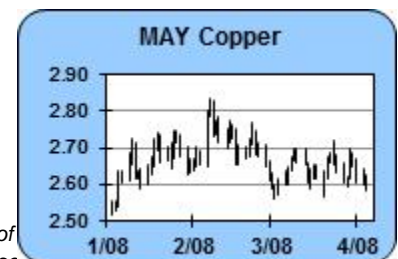
TODAY'S MARKET IDEAS: Another new higher high for the move has garnered the attention of the press again with the primary focal point of the bull camp the geopolitical conflict between the US and Russia over the Syrian situation. While the North Korean situation is adding to the bull's case gold and silver prices look to be mostly focused on the Syrian affair. With the US dollar sitting just above a lower low on the week modest weakness in the greenback ahead could provide gold with a fresh measure of buying later today. With US Treasury prices this week soaring, it would appear that the odds of a near term US rate hike have declined and that economic uncertainty in the US has increased and that in turn should feed into the bull case in gold. However, gold and silver prices can top following definitive aggressive spike up moves especially with a significant expansion in volatility and therefore traders should be on the lookout for a blow-off top in the coming sessions. Near term targeting in June gold might be seen up at \$1287.40 and then perhaps up at \$1,293.60. Initial upside targeting in May silver is seen at \$18.49 and perhaps at \$18.54. However the failure of June gold to hold \$1,263.70 early today could signal an intermediate top.

COPPER COMMENTARY

04/12/17

The path of least resistance is still pointing down

GENERAL: With a fresh downside breakout and the lowest price in May copper since March 27th, it is clear that deteriorating global economic expectations are



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being factored because of a series of geopolitical conflicts and also because of some slack US data. However, the weakness in copper yesterday is not an isolated event as other base metals prices fell to their lowest levels in three months and the base metals trade this morning is blaming tensions toward North Korea as an economic dampening influence in Asia. While there was a decrease in daily LME copper stocks this morning, we suspect fears of ongoing weakness in US equities will be a bigger influence pressing copper prices than any minimal change in supply levels.

MARKET IDEAS: We continue to think the copper market will eventually see value at the \$2.60 level, but supply side threats (especially from a strike in Peru) are currently being discounted and therefore we can't argue against a possible slide down to the March low of \$2.5665 especially if a risk-off mentality continues to unfold.

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