

PRECIOUS METALS COMMENTARY

04/19/17

Temporary corrective action expected today

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD -9.50, **SILVER** -6.70, **PLATINUM** +1.40

OUTSIDE MARKET DEVELOPMENTS: Global markets were mixed overnight with Chinese markets lower and European markets higher. Signs that the UK leader might come out stronger off the snap election and might have greater power to negotiate with the EU combined with a slight narrowing of the leads of the front runners in the French election has brought political concerns down slightly today. Physical commodity markets might also be undermined today by a bounce in the Dollar and fears of a possible plunge in Chinese auto sales ahead. The Asian economic calendar was fairly quiet, while the European session was highlighted by the March Euro zone CPI which failed to match the prior reading on its year over year measure. The North American session will start out with a weekly reading on mortgage applications, with the latest FOMC Beige Book released during early afternoon trading hours. Boston Fed President Rosengren will speak during early afternoon US trading hours as well. A busy day of earning announcements will include Abbott Labs, US Bancorp and Morgan Stanley before the Wall Street opening while Qualcomm and American Express report after the close.



GOLD / SILVER

Clearly the metals markets are disappointed with the developments in the UK as the recent move by the Prime Minister to call for a snap election is thought to be a move that solidifies her power and increases her negotiating capacity with the EU over the British exit. Another development deflating geopolitical anxiety is word of a narrowing of the leads of the two front runners in the French election. One might also suggest weakness in gold and silver this morning is indirectly the result of fears that Chinese auto sales are poised to slow dramatically. With the markets also presented with soft euro zone inflation and some of the lowest US treasury yields in six months it is not surprising to see the reflation trade reversed in many physical markets. In addition to a record spec and fund long positioning in the silver market silver will be faced with news that total silver derivative holdings declined by 940,720 ounces overnight which continues a six month pattern of declining investment interest. Adding into the slight decline in safe haven interest for gold is news that Russian miner Polymetal saw its first quarter production rise by 8% over year ago levels. All things considered the bear issues outnumber the bull issues for gold and silver today but prices might show narrow ranges in the morning trade due to a lack of important scheduled data from the US.

*** This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of The Hightower Report is strictly prohibited.

The Hightower Report

Futures Analysis & Forecasting

PLATINUM

As we indicated in the prior session's coverage, the PGM complex appeared to be poised to shift downward on the charts. In addition to the liquidation of long spread plays, the platinum group metals appear to have come under pressure in sync with weakness in other industrial commodities. In retrospect the sharp decline in palladium prices over the prior three trading sessions was probably been the result of building fears of a decline in Chinese auto catalyst demand and those demand fears were partially confirmed with interviews at the Shanghai auto show overnight. With an increase in a Chinese vehicle sales tax, evidence of rising South African platinum production and talk that white gold jewelry is taking market share from platinum jewelry in China there are a number of bearish forces facing the platinum and palladium trade. The June palladium contract clearly failed at its 50 day moving average yesterday at \$781.52, and there might be little in the way of support seen until \$760.80. In addition to the violation of a key moving average, June palladium also fell below a five month old uptrend channel line. At least in the short-term, the path of least resistance is pointing downward.

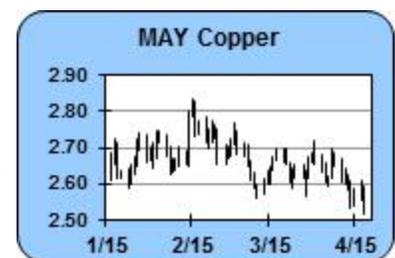
TODAY'S MARKET IDEAS: Noted weakness in gold is not surprising in the face of less supportive outside market developments. It is clear that gold is under more significant selling pressure than silver perhaps because gold has benefited more recently from geopolitical anxiety than the silver market over the last two weeks. Nonetheless a slightly negative bias is seen to start today and that pressure is accentuated by strength in the dollar. On the other hand we doubt geopolitical anxieties will completely dissipate from the situations in the UK and France. The June gold contract will have a critical pivot point at the prior session's low of \$1280.60 with uptrend channel support from the March and April lows seen today down at \$1264.20. While the silver market maintains a near record spec and fund long positioning and might be very vulnerable from a technical perspective it might have less safe haven premium to extract if political anxieties managed to moderate further. As in gold the silver market sees initial support at uptrend channel support of \$18.286 and then again at the prior session's low of \$18.35.

COPPER COMMENTARY

04/19/17

Temporarily oversold especially with a bounce in equities

GENERAL: With noted weakness in the base metals complex and the severe chart damage in copper yesterday, it was clear that world markets are factoring-in less than stellar economic conditions ahead and a commensurate reduction in physical demand. Surprisingly, an upward revision in US and global growth by the IMF yesterday was unable to support copper prices and that speaks to the breadth of the bear case in place this week. Fears of sagging copper demand might have been fanned by rumors of softening Chinese auto sales from the Shanghai Auto Show and from the



*** This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of The Hightower Report is strictly prohibited.

The Hightower Report

Futures Analysis & Forecasting

141 W. Jackson Blvd. Suite 4002

Chicago, IL 60604

(800) 662-9346

<https://www.hightowerreport.com/>

idea that the French election might further the threat of widespread trade protectionism or even more damaging, it might usher in talk of a French exit from the Euro zone. From the supply front, copper remains under pressure from news that Freeport Indonesia has finally been granted the right to an export permit as that removes a very important supply-side threat. While the copper market is not showing negative action to start today news of a 12,000 ton daily inflow into LME copper warehouses should be seen as a noted negative.

MARKET IDEAS: We don't see a sharp downside extension in prices to the January 4th low of \$2.48, but it is difficult to take control away from the bull camp without seeing a definitive reversal in the risk off condition in the markets. With the removal of a key supply-side disruption earlier this week and the net spec and fund long in copper recently above 30,000 contracts, the bear camp has a number of issues working in its favor. In order to turn the technical tide away from the bear case might require a rally back above a downtrend channel resistance line at \$2.5855.

The Hightower Report

Futures Analysis & Forecasting

Hightower Daily Commentary – Trade suggestions and coverage of all the major markets – Metals, Energy, Grains & Livestock, Softs, Forex, Stock Indices, and Treasuries.

Order a Free Trial Here: www.HightowerReport.com

*** This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of The Hightower Report is strictly prohibited.