

PRECIOUS METALS COMMENTARY

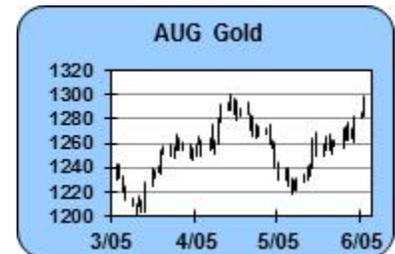
06/07/17

A measure of back & fill this morning but uncertainty remains

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD -5.40, **SILVER** -12.00, **PLATINUM** -7.40

OUTSIDE MARKET DEVELOPMENTS: Global markets were mostly higher with the XETRA DAX, All Ordinaries and IBEX bucking the trend and trading weaker. The Asian session featured April readings for the Japanese leading economic index which was weaker but that was partially offset by the fact that the Japanese coincident index showed improvement. The European session started out with April German factory orders which were weak as expected. A May reading for a key private survey of UK house prices was forecast to have a moderate decline but it managed to best expectations with a modest rise. The markets were presented with an upwardly revised OECD world growth forecast with the new estimate raising world-wide growth to 3.5%. The North American session will start with an April reading on Canadian building permits, followed by a weekly private survey on mortgage applications. Later in the day, an April reading on consumer credit is forecast to have a moderate increase on March's \$16.4 billion reading. Earnings announcement will include Brown Forman and Navistar International before the Wall Street opening.



GOLD / SILVER

We think that the brunt of the June gains in gold and silver have been the result of consequential declines in the Dollar but we also think that the upcoming UK election and the Comey testimony is going to figure in near term action more definitively in the coming two trading sessions. Another issue that might provide buying interest to gold and silver is an upcoming ECB meeting but it is also possible that the ECB meeting could undermine prices in the event they talk tightening through the removal of bond buying efforts. An issue overnight that might undermine gold and silver early today is news that the PBOC drained some slack from their monetary system. A story that might countervail the PBOC news this morning is reports of a possible coup at the Iranian Parliament. In looking forward it goes without saying that gold has a history of making fantastic tops and bottoms, even if fantastic is too strong of a description. Nonetheless, we suspect that ongoing slack in US economic data will keep the Dollar under pressure and that the latest extension of the Arab states/Qatar situation (Involving Qatar Airlines), a hung Parliament in the UK and something incendiary from the Comey testimony on Thursday increases the prospect of a blow off rally in August gold to as high as \$1,343. Similar upside blow-off potential in July silver is seen up at \$18.50! However, dual increases in Chinese and Indian demand views is by itself major, as those two entities together could make safe haven and currency related gains in gold and silver seem like small change but it remains to be seen if that story line has legs. The world's largest gold ETF saw their holdings

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rise by 4.16 tonnes on Tuesday to reach their highest level since April 24th.

PLATINUM

While some of the recent gains in palladium are probably the result of spillover support from gold and silver gains, we have to think other forces such as surging demand expectations from future autocatalytic implementation by China and India are at work. In other words the most logical source of the current rally is rising investment demand in PGM derivative instruments off the theme of increased clean air efforts in China and India. Certainly weakness in the Dollar, buying by precious metals players that feel like they have missed the boat in gold and silver and finally geopolitical buying is clearly present, but one can't rule out classic supply/demand tightening in markets that are relatively small and are operating in a global environment. It does appear if platinum is starting to catch a lift from palladium and the return to upside sync between the two markets suggests that something fundamental is in motion. As in gold, the next upside targeting in September palladium in the event of a blow-off explosion is seen \$25 above the current trade with similar upside targeting in July platinum seen at \$984.

TODAY'S MARKET IDEAS

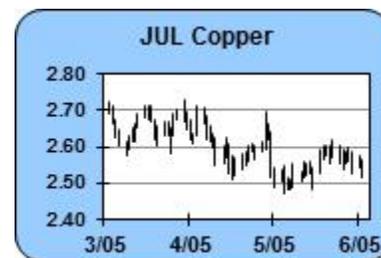
While we leave the edge with the bull camp we also think that volatility is set to expand and that absolute price swings will become significant in the coming trading sessions. However, until weak US numbers recover, the UK election passes without a change in leadership and the technical condition in gold and silver flash extreme overbought conditions, the upward bias should control. Remain bullish as long as August gold holds above \$1,280 and July silver holds above \$17.28.

COPPER COMMENTARY

06/07/17

The bear camp extends control in the action today

GENERAL: Not surprisingly, the copper market is under pressure because of softening US data, a partial risk-off vibe in equities and stubborn fears of slack Chinese physical demand. One also has to think that fresh damage on the charts and the fear of more risk-off into the UK election leaves the bear camp confident. Some have speculated that some type of "event" might be in the offing in the face of the UK election, while others think that tensions in the Middle East are serving to keep speculative interest in physical commodities on the sidelines. Supportive issues that continue to be ignored by the trade are a lengthening pattern of declining LME copper stocks and reports that Russian January through April copper exports were a touch softer.



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MARKET IDEAS

As we have been suggesting for weeks, we don't see strong value in July copper until prices return to the bottom of the \$2.50 to \$2.60 trading range. In fact as long as negative economic vibes populate the headlines, there is no reason to expect a quick low in copper directly ahead. In fact a pattern of lower highs, partial risk-off in equities and lots of political uncertainty over the coming 48 hours gives the bear camp plenty of ammunition.

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