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The Hightower Report
Futures Analysis & Forecasting

PRECIOUS METALS COMMENTARY
06/14/17

Fresh chart damage and fear of the Fed favors the bear camp

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
GOLD +0.70, **SILVER** +16.80, **PLATINUM** +4.00

OUTSIDE MARKET DEVELOPMENTS: Global equity markets generally built on the recently regained "risk on" tone overnight with minor gains. However, Russian and Chinese markets were weaker overnight. The Asian session was highlighted by May readings on Chinese factory reading which beat expectations with 6.5% gain and that was joined in the headlines by Chinese May retail sales figures that also grew faster than expected. The European session will feature updates on German CPI, UK unemployment and Euro zone industrial production. The North American session will start out with a weekly private survey on mortgage applications, followed by May retail sales that are expected to see a moderate downtick from April's 0.4% reading. The May consumer price index is forecast to downtick from April's 2.2% year-over-year rate. April business inventories are expected to show a modest downtick from March's 0.2% reading. The highlight for global markets will come during early afternoon US trading hours with the results of the Federal Open Market Committee (FOMC) monetary policy meeting. While it is expected that the Fed will raise rates by 25 basis points (0.25%), there may be more market scrutiny with the Fed's updated economic forecasts as well as the post-meeting comments of Fed Chair Yellen. Earnings announcements will include Jabil Circuit after the Wall Street close.

GOLD / SILVER
The gold market forged another rather significant range down extension yesterday and in the process the August contract reached the lowest level since May 26th. Apparently weakness in the dollar was largely discounted into the lows yesterday, and therefore it might take a full return to the June lows in the Dollar to rekindle currency-related support for gold and silver prices. However, the gold market did manage an impressive afternoon rally yesterday with the August gold contract managing a low to high bounce of nearly $10 an ounce and that might serve to put a portion of the bear camp back on its heels today. Unfortunately for the silver bulls, the silver market was not able to recoil significantly away from its lows for the day as was seen in the gold market. In retrospect, we suspect that a large portion of the declines in gold and silver over the last five trading sessions have been the result of growing fear of action from the US Fed today. In the event of a Fed hike or solid evidence that the Fed has begun to reduce its balance sheet, we can't rule out a further liquidation perhaps down to the 200 day moving average of $1,257.40. Needless to say, the FOMC result probably determines the trend in gold and silver over the coming three trading sessions. Given the June high to low slide in August gold of $39 and the slide in July silver

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of $1.02, we suspect that the spec and fund long positioning has come down to levels that should begin to narrow liquidation pressures.

PLATINUM

An issue that might have been lending support to PGM prices over the last two weeks is ongoing difficulties at the South African electric utility provider Eskom, as trouble at that utility can and has in the past resulted in electrical grid brownouts and sustained power outages that are critical to mining operations. Therefore, the resignation of the CEO of the South African electric utility should not be discounted in the weeks ahead. Unfortunately for the platinum market, the July contract yesterday damaged its charts again and has seemingly opened up the potential for a return into the bottom half of the last two months trading range. The bottom half of the last two months trading range in July platinum is bound by $925.50 and $900. While the technical damage in September palladium was not as egregious as that seen in platinum, the market did forge a poor close yesterday and has fleshed out a pattern of lower highs over the last three trading sessions. We might also point to a potentially key pivot point at the $850 level and we would also point to an uptrend channel support zone of $849.70 as a point to watch today.

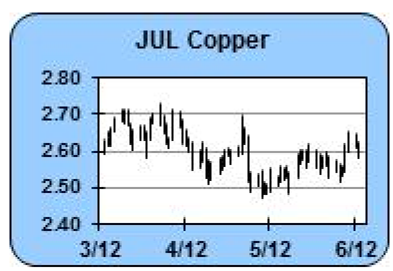
TODAY'S MARKET IDEAS

The bull camp probably wishes that the impressive recovery in gold prices off the low on Tuesday was associated with some type of bullish fundamental development, but we detect no such correlation. With the Fed decision expected to dominate the trade in gold and silver today, and we have to leave the edge with the bear camp to start. Given that gold can top and bottom with violence, we can't rule out a sharp range down extension toward $1,250 where we suspect the market will finally discover some bargain-hunting buying.

COPPER COMMENTARY

06/14/17

The bears control but declines should slow somewhat



The copper market made a fresh three day low in the trade yesterday and forged a rather significant daily trading range in the process. Some traders cited concern over the prospect of a Fed rate hike later today for the latest downside probe, but we also think that slack global data contributed to the weakness in industrial commodities. However, with volume and open interest falling on the recent setback in copper prices, that could be a sign that the trade isn't fully committed to a sustained washout wave ahead. On the other hand, to throw off an extended slide back into the

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established trading range directly ahead probably requires an extension of the risk on vibe today, a steady US Fed and press stories suggesting LME copper stock declines in some way signal better global demand. It should be noted that the pattern of daily LME copper stocks declines has continued but as of yet, the story has not been embraced widely by the trade. LME copper stocks have shown only 9 daily builds since March 15th, which means there have been 62 daily draws in that important supply-side measure over that timeframe.

MARKET IDEAS

As in the gold market, we have not seen a definitive shift in copper market fundamentals to suggest a quick end to the recent corrective track in prices. In fact the failure to see a bounce in copper prices in the wake of positive Chinese factory output and retain sales data overnight suggests to us that copper continues to lean bearish. We doubt that July copper is headed to a retest of the 200 day moving average down at $2.5040, but we can't rule out a return to the middle of the last two months trading range at $2.55. Those looking to get short the copper market for a downside extension off a Fed rate hike/balance sheet reduction event should employ long put options instead of short futures, as a pass by the Fed on both accounts probably results in a knee-jerk bounce of four cents.