

## PRECIOUS METALS COMMENTARY

07/12/17

**Safe haven buying interest to continue as Washington battles**

### OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

**GOLD +2.00, SILVER +6.00, PLATINUM +8.00**

**OUTSIDE MARKET DEVELOPMENTS:** Global equity markets overnight were mixed with Chinese and Australian stocks weaker and the rest of the world higher. The Asian session saw Chinese June new loans come in above forecast at 1.54 Yuan trillion. The European session was presented with a flurry of economic data the most important of which appears to have been the May UK jobs figures. The UK unemployment rate declined to the lowest level since 1975 but earnings on a quarterly basis declined at the same time monthly average earnings improved! Also released early today were euro zone industrial production figures with the month over month reading improving much more than expectations and the year-over-year readings also improving dramatically. Later today the market will be presented with a Bank of Canada monetary policy meeting that is not expected to produce any changes to interest rates or policy. If there is a surprise from the Bank of Canada policy meeting it would be a rate hike but a rate hike could send the Canadian dollar soaring to the highest levels since August of last year and that could injure Canadian export markets. The highlight for global market action today will be testimony of Fed Chair Yellen to the House Financial Services Committee. The latest Fed Beige Book will be released during afternoon US trading hours and will be scrutinized for indications of upcoming Fed policy moves. KC Fed President George will speak during afternoon US trading hours. Earning announcements will include Fastenal and Bank of the Ozark before the Wall Street opening.



## GOLD / SILVER

If the gold market yesterday was supported as a result of the Gold Fields Mineral Services report of a very sharp rise in Indian June gold imports (relative to year ago levels), it had a delayed reaction in prices to that news as gold in the early US Tuesday trade was weaker after that report was released. Therefore, it appears as if the near term action in gold and silver prices could be dependent on the ebb and flow of the US dollar but even more likely the gold and silver markets will probably take their cues from the latest US Administration/Russia campaign flap. The recovery in gold prices yesterday (that eventually posted a low to high recovery of nine dollars) was probably tied to the reversal in the dollar from its initial highs, and therefore traders should be aware of the prospect of significant Dollar volatility into US Fed Chairman Congressional testimony later today. We do acknowledge the importance of the news that Indian June gold imports rose sharply to 75 tons in the latest monthly reading especially with the first half of 2017 imports jumping by 161% versus year ago levels for a total six month import tally of 514 tons. Unfortunately for the bull camp, the GFMS also predicted July gold imports for India would be

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less than 35 tonnes and that tempers the bullish Indian gold demand theme.

## PLATINUM

Apparently both platinum and palladium are drafting some support from gold price action but it is also possible that improved demand expectations and technically based buying is adding to the bullish tilt in prices this morning. However with the platinum market rising in sync with the palladium market it is possible that the market is seeing some liquidation of long palladium short platinum spread plays. On the other hand the palladium chart looks much more powerful than the platinum chart. Near term upside targeting in September palladium is seen at \$857.95 with initial resistance in October platinum seen at \$904.10. While it is difficult to embrace strength in the PGM markets off of safe haven psychology, with a strong performance in equities today it might be possible that the PGM markets today will shift their focus toward classic physical demand hopes. Not only was the palladium market the stellar performer in the Tuesday US trade, it managed to reach up to a four day high perhaps off news that Chinese auto sales through the end of June were running 1.6% above year ago levels. However the prospect of favorable forward auto catalyst demand from China is certainly tempered by last week's news that Chinese palladium imports were running significantly below year ago levels.

## TODAY'S MARKET IDEAS

With the bounce off this week's lows in the prior trading session and the upside follow through this morning in gold and silver there is a slight increase in chances that the \$1206.60 level has become some sort of solid value zone in gold. However, we are fearful of a US Fed Chairman inspired break in gold prices later today unless the Fed Chairman acknowledges some concern for soft inflation. On the other hand it is clear that gold is drafting fresh buying interest from the Trump/Russian problem and that partisan politics are poised to make as big of a deal out of the situation as possible. In fact seeing charges of treason and hints of impeachment are not insignificant forces for the gold and silver trade. Support in August gold now becomes \$1214.70 and resistance is seen up at \$1228.40. Support in the September silver contract moves up to \$15.74 and resistance is now seen at \$15.98.

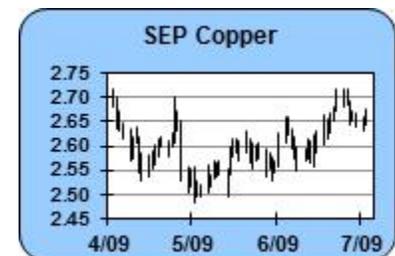
## COPPER COMMENTARY

07/12/17

**The morning bias is pointing up but Fed testimony looms later**

**GENERAL:** While the copper market might have seen some spillover lift from the recovery in gold prices and copper might also have seen some benefit from the reversal and slide in the US dollar yesterday, the primary force for this week's rally has probably been the Chilean copper mine worker's strike.

Perhaps the copper market is also seeing some minor spillover support from a 3 1/2 year high in Chinese steel prices this week as anything associated with an



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improvement in the Chinese economy can be embraced by the copper trade as a positive signal for future copper demand. Another development that probably fed into the rally in copper prices this week was a recovery in June Chinese passenger car sales with Chinese vehicles sold into the end of the first half of 2017 up 1.6% versus year ago levels but more importantly that news comes after many players had trumpeted a reversal in the expansion of Chinese auto sales.

### **MARKET IDEAS**

Given the rejection of the sub \$2.65 level in the September copper contract this week and the noted range up five day high in prices this morning it would appear as if the market is poised for a run back above \$2.70. More significant resistance is seen up at the June 30th high of \$2.7185. The 50 day moving average today comes in all the way down at \$2.60 but closer in support and a pivot point is seen at \$2.66. The bull camp would seem to hold the technical edge but the bull camp might need to see the prospect of a sustained labor orientated mine shut down in Chile to expect a significant sustained rally. For the action today early strength in equities and spillover support from precious metals adds to the upward tilt but traders need to be aware of the Fed chairman testimony later in the session as that could spark some profit-taking reversal action.

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