

## PRECIOUS METALS COMMENTARY

08/02/17

**A slight corrective bias not a trend change today**

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

**GOLD -5.90, SILVER -9.90, PLATINUM -1.30**

**OUTSIDE MARKET DEVELOPMENTS:** Global equity markets were mixed overnight with the US markets, TOPIX, RTS Index and MICEX managing to get out from under selling pressure. The Asian session featured a July reading on Japanese consumer confidence that improved from the prior month while the European session started out with June Swiss retail sales that rose by 1.5% over last year. Unfortunately the trade was also presented with July UK construction PMI that was significantly below trade expectations and also markedly below the prior month. From the inflation front June Euro zone PPI was generally weak with the month over month and year over year readings depicting soft prices. The North American session will start out with a weekly private survey of mortgage applications, followed by the July ADP employment survey that is expected to have a sizable uptick from June's 158,000 reading. Cleveland Fed President Mester will speak during morning US trading hours while San Francisco Fed President Williams will speak during the afternoon.



## GOLD / SILVER

December gold has started off on a surprisingly weaker than expected track with international press coverage suggesting the weakness was somehow related to dollar stabilization. Granted the dollar has respected the 92.50 level so far this week but data flows from the US, ongoing political travails and patently bearish dollar charts would seem to leave that well defined downtrend in the Dollar in place. In fact one could suggest that international geopolitical tensions might be set to rise between the US and China as the subject of trade sanctions returns to the headlines ahead of an anticipated White House announcement on the prospects for a tariff on Chinese imports because of violations of the 1974 trade act. It is also possible that gold and silver are simply banking profits and balancing overbought technical conditions. In fact some short-term technical indicators are registering sell signals this morning and December gold has drifted down toward the bottom of the uptrend pattern that has been in place since early July. An issue that might contribute to some rotation out of gold and silver is the media hype surrounding the Dow Jones industrial average approach of the 22,000 level as that might temporarily siphon off capital from safe haven instruments. Uptrend channel support in December gold today comes in at \$1267 with the 100 day moving average seen down at \$1260.40.

## PLATINUM

The PGM complex performed very impressively in the prior trading session as gains were forged in the face of ongoing strength in the dollar, weakness in silver/copper and more importantly in the face of much weaker than

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expected US auto sales results. At least in the palladium market, a large measure of the gains of the last three months were supposedly justified by expectations of strong auto catalyst demand from China, and the Tuesday news flow would seem to suggest a slowing of US auto catalyst demand. It is possible that the PGM complex is drafting buying interest from evidence of ongoing difficult mining conditions facing the PGM mining companies as one company yesterday is actively exploring the idea of sales of assets, joint ventures and investment injections to maintain its operations while another mining concern in South Africa indicated they would be downsizing their labor force and closing a mining shaft effective immediately to protect their financial condition. In short, the platinum metals complex is facing what would appear to be supply-side threats but initial weakness in gold, silver and crude oil prices appear to be pulling platinum lower relative to palladium. The palladium market remains in a bull chart setup and should be expected to make another new high today.

## TODAY'S MARKET IDEAS

It would appear as if gold and silver are displaying some normal back and fill corrective action as the dollar sits poised above a downside breakout point and geopolitical issues continue to percolate. However short-term technical parameters point to the need of some balancing and favorable Apple news and ongoing strength in US equities has seemingly tamped down the safe haven environment. However the gold market pattern over the last several weeks has been for early weakness followed by a recovery later in the session and that could set the market up for a bounce after uptrend channel support at \$1,267 is tested. Unfortunately September silver was unable to climb above its 100 day moving average and it has already violated uptrend channel support off the July lows. As in gold the silver market is seeing a number of short-term technical indicators registering sell signals this morning but we suspect the selling will be measured and perhaps short-lived.

## COPPER COMMENTARY

08/02/17

### The bear camp to benefit from the fear of a trade war

**GENERAL:** With the copper market displaying corrective action yesterday and the market forging another lower low this morning the path of least resistance is pointing downward to start. Weakness in metals and energy prices early today combined with short-term technical sell signals from the charts and a large 5,575 ton build in LME copper stocks gives the bear camp plenty of ammunition.

It is also possible that fears of a brewing trade battle between the US and China is adding to the technical corrective bias and it is also possible that record performance by Rio Tinto in its quarterly earnings has prompted some fears of rising copper production ahead. We also think the bull camp is at least temporarily injured as a result of a greater than expected setback in US auto sales readings during the prior trading session. In fact, with the headlines recently devoid of fresh labor threats from South America and little in



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the way of fresh news from the Philippines clampdown on the mining industry, it is possible that longs are merely deciding to bank profits and move to the sidelines. Apparently the market bought the rumor of the strengthening Chinese economy, and it has now begun to sell the fact into the discussions of a US/China trade war!

## MARKET IDEAS

A key reversal in copper prices from the probe above \$2.90 is not all that surprising especially with commodity markets this week falling out-of-favor across-the-board. It is also possible that a lengthening series of soft US data points is causing some traders to question the lofty copper demand expectations that have carried the copper market for the last four months. Critical consolidation support today is seen at \$2.8620 and then again down at \$2.8410. In order to put the bull camp back in control might only require a minor rise back above \$2.90 but in the action directly ahead the ebb and flow of the Chinese "trade" issue will likely dominate prices.

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