

## PRECIOUS METALS COMMENTARY

08/16/17

**Low geopolitical anxiety & upbeat data favors the bear camp**

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

**GOLD** -3.90, **SILVER** -6.40, **PLATINUM** +0.00

**OUTSIDE MARKET DEVELOPMENTS:** Global equity markets were largely higher with the exceptions the TOPIX, SSE Composite and the CSI 300 tracking lower. While the Asian session was relatively quiet data wise the European trading session saw Italian GDP that improved and came in better than expectations. UK unemployment declined again and has now fallen to the lowest level since 1975. Unfortunately UK wage growth in real terms declined by 1/2% which takes some of the benefit away from the headline unemployment decline. The euro zone posted GDP for the second quarter that came in slightly better than the prior quarter and right on trade expectations while year-over-year GDP came in above expectations. The North American session will start out with a weekly private survey of mortgage applications. July housing starts and July building permits are forecast to come in close to their June readings. During afternoon US trading hours, the meeting minutes of the FOMC's latest monetary policy gathering will be released. Earnings announcement will include Target before the Wall Street opening while tech bellwether Cisco Systems, L Brands and NetApp will come out after the close.



## GOLD / SILVER

While the December gold contract has avoided a fresh lower low for the move early the market remains in a negative fundamental and technical posture to start the US Wednesday trade. Generally higher global equity market action combined with generally positive international economic data should continue to deflate safe haven interest in both gold and silver today. While it could change at any minute the US North Korean standoff remains in neutral which encourages sellers and disappoints buyers of gold and silver. As suggested yesterday without renewed threats flowing from one side or the other the risk to fresh longs appears to be higher than the potential rewards. While the gold market showed some capacity to reject its lows in the prior trading session the silver market was not as successful in rejecting its lows yesterday and this morning it sits just above those lows as if more declines are in the offing. The bull camp in gold has to be hopeful that the \$1,275 level will offer some measure of support but traders need to be on the lookout for the release of the Federal Reserve's monetary policy meeting minutes as those minutes are likely to reiterate confidence in the recovery.

## PLATINUM

Unlike gold and silver the platinum market clearly rejected the spike down washout in the prior trading session and this morning it sits in positive territory and in the upper quarter of the prior sessions trading range. Even the

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*Futures Analysis & Forecasting*

palladium market impressively rejected the washout and has entered the Wednesday trade within striking distance of the \$900 level. While the PGM complex yesterday didn't seem to benefit from a string of positive US scheduled data points the divergence with gold and silver this morning in the wake of favorable international data suggests that the PGM complex is getting some classic demand support. Clearly the charts in palladium continue to be consistently more bullish than platinum with the palladium market generally sticking to classic commodity fundamentals while the platinum market continues to behave like a safe haven alternative to gold. In conclusion the platinum market looks to remain under modest pressure, while the palladium market might grind out gains and return to the \$900 level.

## TODAY'S MARKET IDEAS

In the face of an extension of the positive data flow from international data points overnight and with the dollar remaining near an upside breakout point on its charts that leaves a number of issues in the Bears favor today. At least in the short term the 94.00 level in the dollar index looks to be a very critical junction for gold, silver and platinum as a rise above that level puts the dollar in a fresh breakout and turns up the currency selling pressure on metals. In the event of a upside breakout in the dollar and even modest gains in equities today that could usher in a fresh breakout below \$1272.70 which could set the stage for an eventual decline down to \$1265.90. The silver market also remains injured technically and seemingly unresponsive to favorable demand signals and that leaves a critical pivot point just under the market at \$16.56 and a possible downside target ahead of \$16.43.

## COPPER COMMENTARY

08/16/17

### The bulls regain control off supply and demand issues

**GENERAL:** Just when it seemed that copper prices were poised to breakout to the downside and in turn "correct" more of the stellar four-month rally, they have recovered and have reached up to the highest price since August 10th. News that Glencore halted operations at two copper mines in Zambia because of power issues has rekindled supply-side fears even if the disruptions look to be temporary. It is likely that a second day of favorable global equity market action and 24 hours of positive global economic data has rekindled demand hopes and that has prompted a wave of bargain-hunting buying. The copper market could have been held back by news overnight that Chinese July refined copper output rose by 1.5% but strength in other base metals prices combined with an ongoing pattern of declines in LME copper stocks simply leaves the bull case in control.



## MARKET IDEAS

Just when it seemed as if the chart structure in copper was poised to break down, prices have reversed course

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and surged to a four day high in a fashion that suggests a near term retest of the contract high up at \$2.9550. While favorable US data later this morning might contribute to the upward track in prices the copper market yesterday did not seem to benefit from definitively positive US data. Initial support today is seen at \$2.9135 and initial resistance is seen at \$2.9280.

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