

## PRECIOUS METALS COMMENTARY

08/23/17

**Slightly upbeat tilt but not definitively bullish**

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

**GOLD +1.60, SILVER +7.30, PLATINUM +2.00**

**OUTSIDE MARKET DEVELOPMENTS:** Global equity markets were mixed without any geographical pattern present. The Asian session featured a "flash" reading for the August Japanese Nikkei manufacturing PMI that managed a 3 month high result. The European session featured "flash" Markit manufacturing PMI readings from Germany, France and the Euro zone. French flash PMI reading came in better than expectations and better than the prior month. However French services PMI came in weaker than the prior month and weaker than expectations while the composite flash PMI came in a touch weaker than the prior month but above expectations. The German flash PMI reading came in much stronger than expected while the German services PMI flash result was a touch weaker than the prior month. The overall euro zone flash manufacturing PMI reading came in markedly above the prior month and markedly above expectations. On the other hand euro zone flash PMI services came in softer than expectations while the euro zone composite flash PMI was unchanged versus the prior month's reading. The North American session will start out with a weekly private survey of mortgage applications, followed by a "flash" reading on the Markit US manufacturing PMI that is expected to hold steady with July's 53.3 reading. July new home sales are forecast to have a minimal uptick from June's 610,000 annualized reading. Dallas Fed President Kaplan will speak during afternoon US trading hours. Earnings announcements will include Lowe's before the Wall Street opening while HP reports after the close.



## GOLD / SILVER

Fortunately for the bull camp December gold was able to respect the prior session's low and it was also able to respect a developing pattern of higher lows. While the gold and silver markets yesterday showed some divergence in the wake of low overall market uncertainty and adverse currency market action, today's forces appear to be in line for both markets. We suspect that the metals are being held down by background fears of hawkish Fed dialogue from the Jackson Hole Wyoming Fed meeting at the end of the week. We think the fear of the Fed is misplaced as inflation data as well as economic data has not given off results that force the Fed's hand. In fact a couple Fed members and the ECB President have recently expressed concern over the threat of low inflation. Therefore the gold market could be poised to rally once the Fed symposium has passed but in the short term the fear of the Fed will be restrictive. While the gold market did not show an initial reaction to the redeployment of US troops to Afghanistan that issue probably contributes slightly to the safe haven theme. Unfortunately for the bull camp in gold the North Korean headline flow has been much less active than was

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expected following the start of military exercises in the region. With US scheduled data today considered to be second or third tier the gold and silver trade is likely to take its direction from the initial weakness in the dollar and equities. However the magnitude of gains this morning looks to be minimal because of a dearth of fresh safe haven headlines.

## PLATINUM

At the risk of sounding redundant, the palladium market remains technically overbought and perhaps overdone on the auto catalyst demand argument. However, lingering strength in industrial metals like zinc, nickel and copper should continue to provide support off the favorable demand theme. On the other hand the potential for a technical setback is growing as palladium prices from the last positioning report have rallied \$50 an ounce and that should have puffed up the net spec and fund long above 25,000 contracts which is a level that puts the market near the extreme overbought range of 30,000 contracts net long. Not surprisingly, the platinum market showed more vulnerability yesterday than palladium with a temporary failure at the \$975 level and that leaves platinum vulnerable to choppy and lower action today. Therefore, a critical pivot point in October platinum is seen today at \$973.50. Critical support in September palladium is seen at \$928.35 with more significant uptrend channel support seen at \$918.37.

## TODAY'S MARKET IDEAS

While gold and silver prices remain vulnerable because of a lack of fresh incendiary geopolitical headline flow, outside market conditions today are conducive to the bull camp as the dollar is a touch weaker and equities are showing some vulnerability. The bear camp continues to benefit from periodic hawkish forecasts for the Fed symposium but that economic drag is at least partially offset by mixed flash euro zone PMI results this morning. With the euro zone and various Fed members recently expressing concern over low inflation threats we think the bearish Fed symposium angle is an will be found to be error. Therefore a break in December gold over the coming 48 hours down into a range defined as \$1282.90 and \$1273.20 will be seen as a buying opportunity. Uptrend channel support in the December gold contract off the July and August lows comes in today at \$1,280.30. Uptrend channel support in September silver today comes in down at \$16.66 with a pivot point on the downside seen today at \$16.83.

## COPPER

**Bullish control continues but not definitively so**

**GENERAL:** While the September copper contract managed another new high yesterday the market fell back overnight and temporarily below the Tuesday low in a reaction that minimally damages the technical set up. However the market should see fundamental support from news of a 15th straight daily decline in LME copper stocks and from news that Chinese July copper imports were up by



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nearly 13%. Unfortunately year to date Chinese copper imports were down by 21.5% and a huge jump in Antofagasta revenues and a higher dividend suggests the company could reinvest in expanded production efforts down the road. Apparently talk of ongoing efforts to reduce Chinese overcapacity in copper and other base metals continues to provide support to copper.

### **MARKET IDEAS**

The trend remains up in copper and the high to low correction of the past 18 hours of five cents helps to balance the overbought technical condition put in place over the prior four trading session's gains. While a partial risk off vibe in equities early on provides the bear camp with some minimal traction the overall condition of the copper market and a lack of serious international geopolitical headlines should leave an entrenched uptrend pattern in place. The nearby copper contract has now reached up to the highest level since October 2014 on the weekly charts but the market has been unable to close above the psychological \$3.00 level and that in turn has thickened consolidation resistance between \$2.99 and \$3.07. Critical pivot point support in September copper today is seen at \$2.9670.

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