

The Hightower Report

Futures Analysis & Forecasting

PRECIOUS METALS COMMENTARY

10/19/17

Gold and silver getting close to solid support/value

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD +5.00, **SILVER** +6.30, **PLATINUM** +4.10

OUTSIDE MARKET DEVELOPMENTS: Global equity markets overnight were weaker with the exception the TOPIX and the All Ordinaries. Renewed tensions in Spain regarding autonomy for Catalonia, slightly slower third quarter Chinese economic growth and soft UK retail sales growth figures prompted investors to stand aside overnight. The markets were presented with a September reading on the Japanese trade balance which posted an export jump of 14% and extended the monthly export expansion chain to 10 months! However despite the slightly disappointing headline Chinese GDP results Chinese industrial output and retail sales beat expectations and investment growth slowed in a fashion that could temper government intervention. Also due out overnight was a Swiss trade balance report which showed their surplus narrowing to 2.92 billion Swiss last month. As mentioned already UK retail sales for September contracted and the year-over-year retail sales rate was cut in half. The North American session will start out with a weekly reading on initial jobless claims that is expected to see a modest downtick from the previous 243,000 reading. The October Philly Fed survey is forecast to see a moderate decline from September's 23.8 reading. Kansas City Fed President George will speak during morning US trading hours. Another busy day of earnings announcements will include Verizon, Philip Morris International, SAP, Danaher and Bank of New York Mellon before the Wall Street opening while PayPal and Intuitive Surgical report after the close.



GOLD / SILVER

While the December gold contract did forge a fresh lower low for the move overnight it has rejected that slide early on with a bounce of roughly \$7 in a fashion that should put the Bears a little off balance. While the dollar is showing some positive action early on the overall track of the currency is not definitive enough yet to exert noted influence on gold and silver to start today. The gold market should be partially undermined in the wake of news that Russian Polyus pegged their third quarter total gold output to have risen by 16% relative to year ago levels. Apparently the unrelenting march higher in equities, residual hawkish Fed fears, fresh chart damage and reports of tighter Indian gold imports restrictions leaves the bear camp with plenty of arguments. An issue that should have lent some support to gold yesterday but did not is reports that the Russian central bank would begin to buy gold on the Moscow exchange beginning November 1st. Seeing the Russian central bank buy gold on the Moscow exchange could make less gold available for exports and in turn put more gold in an illiquid position. While the gold market has not seen definitive projections on the status of Indian Festival demand, the gold market should be

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undermined by reports that Indian exports of gold jewelry fell by 7% in the first half of the year with Japanese importers particularly less prevalent. In the short term, the charts are damaged and the fear of the Fed should be expected to continue for at least another 8 hours as the current Fed chair is scheduled to meet at the White House today. However, other sources have suggested that a decision on the Fed Chair won't be made until the first week of November. On the other hand, if the current Fed chair were to advise the White House that she wasn't interested in a second term, that could spark the fear of a more hawkish Fed and thrust gold and silver prices back toward the early October lows.

PLATINUM

With a massive range down washout in the palladium market yesterday, the leadership market of the PGM complex looks set to pull down the platinum market directly ahead. Apparently the surging industrial demand argument for the PGM markets has become a little stale or temporarily overstated with some longs deciding to bank profits and move to the sidelines. The markets are seemingly cheered by the favorable Chinese industrial activity and retail sales results even if the headline GDP result was a little soft. Near term downside targeting in January platinum is seen at the middle of the late September early October consolidation around \$915.00 with similar consolidation support in December palladium seen at \$936.25.

TODAY'S MARKET IDEAS:

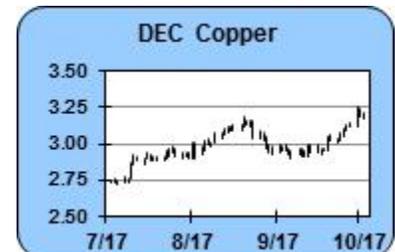
While very short-term technical measures have become oversold, the fundamental path of least resistance looks to remain down in gold and silver today. As mentioned already the overhang of the threat of a hawkish replacement for the current US Fed chair is supporting the dollar and undermining for gold and silver. However, in the event the December dollar index falls below 93.06 and or there are rumors of a second term for Yellen that could save the gold market from further downside work ahead. In the absence of a trend-changing surprise headline, near term downside targeting in December gold is seen at \$1,277.10 and then again down at \$1,270. As in silver, without a major headline reversal, near term downside targeting in silver is seen at \$16.89 and then again down at \$16.76.

COPPER COMMENTARY

10/19/17

The bears retain control today as China numbers failed to lift

GENERAL: Like other metals, the copper market remained under pressure from technical damage on its charts yesterday but also from news that Chile's Cochilco projected copper output next year to be up by nearly 8% over this year. Fortunately for the bull camp, the Chilean company also expected 2017 copper output to be down 4% versus 2016 levels. While a generally weaker commodity



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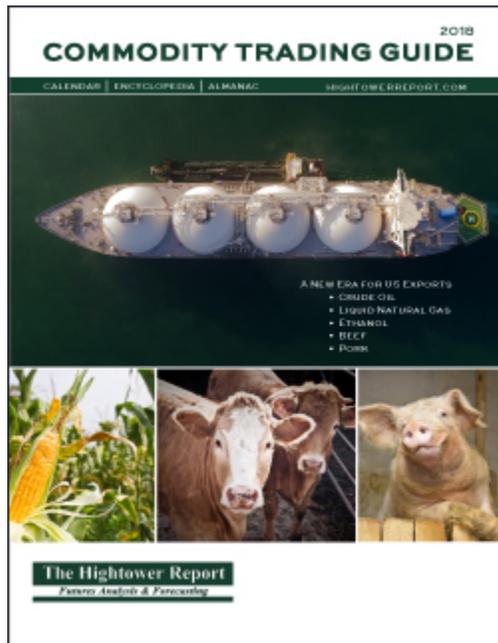
bias and a lack of reflation psychology the last 24 hours favors the bear camp going forward, the copper market might draft minimal support from favorable Chinese industrial activity and retail sales results. However the market was significantly overbought into this week's highs and that condition should not be understated as an ongoing bearish catalyst. In fact as mentioned several times this week adjusted into the recent high the net spec and fund long in copper was probably near the all-time record long of 61,000 contracts.

MARKET IDEAS:

Given that prices on Monday exploded for a massive low to high rally of 14 cents and the rally left little in the way of chart support levels, more outsized declines would not be surprising. The market will probably find some thin support at a series of closes around \$3.1505, while any recovery back above \$3.19 could catch a number of fresh shorts in bad positions.

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