

PRECIOUS METALS COMMENTARY

11/08/17

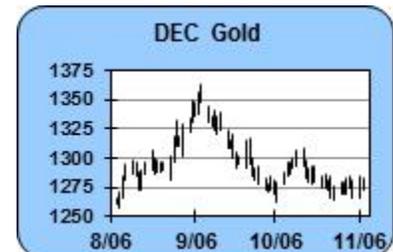
Economic uncertainty returns with gold and silver benefiting

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD +4.40, **SILVER** +9.00, **PLATINUM** +6.40

GOLD / SILVER

While the December gold contract continues to coil within the last three week's trading range the market has thrown off part of the negative tilt from the action yesterday and appears to be garnering outsized gains from only a minimal decline in the dollar. In fact the gold market is showing positive action despite estimates flowing overnight predicting softer than expected Indian quarterly gold imports. Some analysts suggest that quarterly gold imports into India have declined by as much as 25% due to the Indian De-monetization program but that news is clearly being ignored by the trade this morning. Perhaps the market is offsetting part of the talk of weak quarterly Indian gold imports by hopes of improved near term retail demand around Festival activity. While some will suggest that a lack of additional concerning headlines from Saudi Arabia contributed to the long profit-taking setback yesterday afternoon, suggestions from Saudi Arabia that Iran committed an act of war by supplying Yemen with missiles should rekindle some safe haven interest in gold and silver. In fact the Saudi "act of war comments" yesterday follows a weekend missile launch against Saudi Arabia from Yemen and that should leave overall Middle East tensions simmering in the background. On the other hand the gold and silver trade could be drafting support from a different safe haven angle following soft Chinese trade data, deteriorating economic sentiment from the flattening yield curve and most importantly from what could be a very disappointing Congressional tax reform package. In fact the lack of pro-growth elements in the new tax plan creates a renewed sense of economic uncertainty at the same time it should apply pressure to the dollar and US stocks which is in of itself a fresh bullish influence for the precious metals. The world's largest gold ETF saw their holding fall by 1.18 tonnes on Tuesday to reach its lowest level since September 18th.



PLATINUM

While the PGM markets saw a letdown in the prior trading session the palladium market has continued to coil in an extremely tight fashion that could suggest a major trend decision is in the offing. However given a decidedly negative downshift in economic views from China (following their trade data) and the potential negative economic ramifications of a limited pro-growth US tax reform plan one might've expected the PGM markets this morning to be under noted pressure. However the markets are higher as if they are tracking safe haven/classic precious metals flight to quality issues. In a nonevent North American Palladium reaffirmed their 2017 production guidance with no change in output guidance of 180,000 ounces to 190,000 ounces. While the bias leans bullish to start today seeing the palladium market sitting roughly \$13 an ounce above the level where the last COT positioning

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was measured, it is possible that the spec and fund long (adjusted) has risen close to its record levels. Critical pivot point support in December palladium is seen today at \$987.35 with similar close in support seen in January platinum at \$925. While the early track is pointing upward we are concerned that the global macroeconomic outlook has deteriorated over the last 24 hours and therefore demand for physical commodities like the PGM's might be threatened.

TODAY'S MARKET IDEAS:

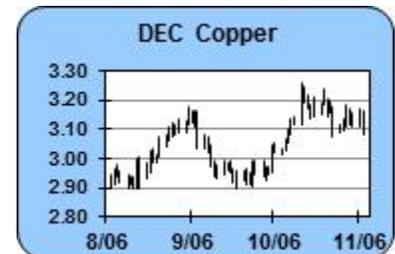
While it would be risky to completely play down the ongoing uncertainty regarding Saudi Arabia the near term focus of the gold and silver markets is likely to be on weakness in the dollar off disappointment from Washington on the tax reform plan. The economic uncertainty theme is also fanned by the disappointing Chinese import and export data overnight. Therefore gold, silver, platinum and palladium are catching an economic safe haven lift early today. However in order to continue the upward track in gold and silver straightaway probably requires noted declines in US equities and or a slide in the December dollar index below 94.60. Support in December gold moves up to \$1276.10 with similar support in December silver seen at \$16.95. Pushed into the market we favor the upward tilt but a choppy two-sided trade might accompany gradual gains on the charts.

COPPER COMMENTARY

11/08/17

Critical pivot at \$3.10 violated off bearish Chinese imports

GENERAL: With a fresh downside breakout and the lowest price in December copper since the early October period the path of least resistance is pointing downward. Not surprisingly disappointing Chinese physical commodity imports and lower exports has threatened the ultra-strong Chinese copper demand theme that has been a major component of strength in copper since the May lows. Apparently the market was un-moved by a 4,225 ton decline in LME copper stocks because of the extremely negative revelation that Chinese January through October unwrought copper imports fell by 7.8% compared to year ago levels. As we have said a number of times Chinese demand is the 800 pound gorilla in the copper room and negative Chinese economic news combined with concerning US tax reform headlines should set the stage for a possible retest of the \$3.00 level. In fact, the slide back below \$3.10 injures the charts from a technical perspective and that provides another reason for longs to exit positions.



MARKET IDEAS:

With the copper market holding a rather lofty net spec and fund long positioning, fresh damage on the charts, negative Chinese economic developments overnight and fear that Congress will offer up a less than stimulative

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tax reform package gives the bear camp plenty of ammunition. Initial downside targeting is seen at \$3.0655, \$3.0525 and perhaps even \$3.00.

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