

PRECIOUS METALS COMMENTARY

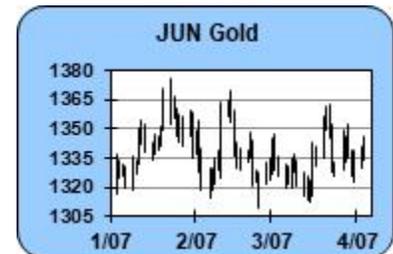
04/11/18

Gains in gold without major headlines speaks of an uptrend

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD +5.80, **SILVER** -0.60, **PLATINUM** +4.90

OUTSIDE MARKET DEVELOPMENTS: Global equity markets overnight were mostly weaker with the exceptions the Shanghai Stock Exchange Composite, the CSI 300, IBEX 35 and the FTSE MIB. It should be noted that the weakness in equity markets overnight was limited and not indicative of global anxiety. Overnight economic data released included Italian retail sales which came in positive on a month over month basis but negative on a year-over-year comparison. Also released overnight was UK construction output for February which contracted for the second straight month in a row and was significantly below expectations. Fortunately UK industrial output for February posted a minor gain but UK goods and trade balance figures continued to post a deficit but that deficit narrowed versus the prior month. The North American session will start out with a private weekly survey of mortgage applications, followed by the March consumer price index which is forecast to have a modest uptick from February's 2.2% year-over-year rate. The meeting minutes from the latest FOMC monetary policy gathering will be released during early afternoon US trading hours. Earnings announcements will include Fastenal before the Wall Street opening while Bed Bath & Beyond reports after the close.



GOLD / SILVER

While the initial range in gold is narrow today and prices are not showing a definitive direction the charts remain bullish with a fresh higher high for the move and an approach of the potentially significant \$1,350 level. Clearly ongoing weakness in the dollar, the potential for a US military strike against Syria, the potential for an uptick in US CPI and residual strength in oil prices leaves the bull camp with a number of themes in its favor. In fact the potential for safe haven buying of gold off the Syrian situation is not to be underestimated as the Russians have suggested any military attack by the US will result in a response from them! It should be noted that Trump has already carried out an attack on Syria and the US warned the Russians in advance of their action last year. Apparently social media overnight is carrying stories about US jets flying over Syria! However, it is also possible that gold is and might continue to draft some lift from the action in crude oil prices as crude oil prices have returned to the vicinity of this year's highs without a specific and significant supply-side incident. In the end the bias is up in gold as the tech action is positive and the bull camp has a number of issues working in its favor. In fact with the gains in gold measured and persistent and the dollar seemingly entrenched in an erosive slide it is possible that June gold will reach the next resistance point up at \$1352.50 in the coming days.

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PLATINUM

While both PGM markets have benefited from the sudden shift back to a risk on mentality, it would appear as if the palladium market is managing to hold more of the recent gains than platinum. Certainly the upbeat talk about a reduction in Chinese auto tariffs combined with last week's strong US auto sales figures provides pent-up demand hopes for the PGM complex. News that China would also continue to push for electric vehicle development and very strong action in other industrial commodities like copper and crude oil leaves the PGM complex in a position to consistently reject the early April lows and claw higher. It is also possible that the PGM complex this morning is drafting support from a report documenting 400 incidents of social unrest in African production areas since 2016 as those incidents in turn disrupted mining activities. A normal retracement rally off the February through April slide in palladium has already tested the .38 level with a further upside target potential at the 50% retracement of \$975.52.

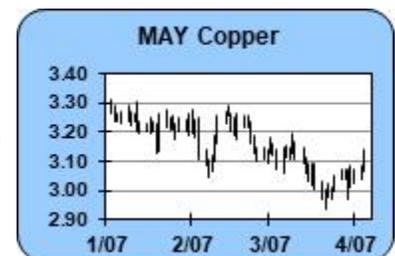
MARKET IDEAS: All things considered, we are a little surprised in the gold market's ability to forge a fourth straight day of higher highs in the face of a clear ratcheting downward of US/Chinese trade tensions. However, upside action in gold in the face of temporary Dollar strength yesterday suggests that gold and silver prices are grinding higher despite periodic adversity. In fact, given the downside extension in the dollar, in the face of a generally supportive PPI result yesterday could mean that the greenback has further downside to go and that in turn that should mean gold and silver have further upside capacity. Support in June gold climbs above a series of opening and closing levels to the \$1,341.10 level with resistance for the remainder of the week seen up at \$1,352.50 and then again up at \$1,356.30. Initial support in May silver is seen at a series of opening and closing levels around \$16.47 with resistance for the remainder of the week seen up at \$16.68.

COPPER COMMENTARY

04/11/18

The bias remains up as copper fundamentals are solid

GENERAL: Clearly news yesterday that China was promising to open up their economy combined with suggestions they would also lower auto tariffs served to extend an "uptrend" in copper. Adding into the upward momentum in copper were significant gains in equities and sharp gains in energy prices. Furthermore news of the potential for 300,000 tonnes of Chinese purchases of copper and copper concentrate this year from SINOPEC certainly elevates world copper demand expectations. In retrospect, the copper market yesterday all but discounted news that a Chilean mining concern was poised to continue to expand its production efforts ahead and that shows a market that is capable of discounting negatives and embracing the positives.



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MARKET IDEAS: While we have doubted the justification for the sharp rally in copper for the last two weeks, the definitive range up extension yesterday, the deflating of US/Chinese trade war fears and reports of a large Chinese copper/copper concentrate purchase forecast for this year leaves the bulls with a fundamental edge. We see near term upside targeting in May copper at a series of opening and closing levels around \$3.1470. Unfortunately due to the aggressive gains, there might be little in the way of close in support in copper until the \$3.0930 level.

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