

The Hightower Report

Futures Analysis & Forecasting

PRECIOUS METALS COMMENTARY

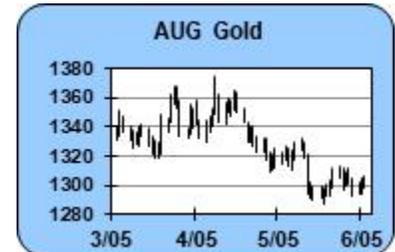
06/07/18

Bullish news offset by bearish news

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

GOLD +0.90, SILVER +7.10, PLATINUM -0.90

OUTSIDE MARKET DEVELOPMENTS: Global equity markets overnight were mostly higher, with the exceptions the Shanghai markets and the FTSE 100. Japanese leading indicators showed a recovery from the prior month, with the coincident indicators showing an even greater improvement. France posted a slightly smaller trade deficit and a larger current account deficit than in the prior month. French imports and exports were higher for the month of April. UK home prices saw greater gains than anticipated, but the rate of gain was thought to be held back by post exit vote turmoil. Italian retail sales contracted on a month-over-month and year-over-year basis. Finally, euro zone GDP for the first quarter was unrevised from a 0.4% reading, which matched trade expectations. The North American session will start out with weekly initial jobless claims that are forecast to see a modest uptick from the previous 221,000 reading. Weekly ongoing claims are expected to see a modest increase from the previous 1.726 million reading. April consumer credit will come out during early afternoon US trading hours and is forecast to show a moderate increase from March's \$11.6 billion reading. Earnings announcements will include J M Smucker before the Wall Street opening while Broadcom reports after the close.



GOLD / SILVER

With the dollar breaking out to the downside and reaching its lowest level since May 22nd this morning, it is a little surprising that the gold market is not trading definitively higher to start today. However, some traders are concerned that US data will result in a rate hike from next week's Fed meeting, and that comes at the same time that ECB officials are giving off hints about winding down their stimulus program by the end of this year. The weakness in the dollar would seem to suggest that US rate hike expectations are not widespread in the marketplace, and therefore gold's lack of upside off the dollar action is a little disappointing for the bull camp. Given ongoing strained trade relations between the US, Canada and Europe, it is possible that rising rate hike expectations are being countervailed in the dollar and gold trade. Perhaps the gold bulls are disappointed from news that Chinese gold reserves at the end of May were unchanged from the prior month, as that would give off the appearance of flat Chinese central bank interest in gold. Silver has the benefit of being an industrial metal, and the strong action in the stock market this week and talk of US growth has contributed to a move in July silver to its highest level since May 7th. Some analysts are turning bullish long term for silver, as they look for industrial demand to improve as electric automobiles and collision-avoidance systems take hold.

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PLATINUM

Like silver, palladium prices took off on Wednesday and traded to their highest level since April 20th, as it too benefited from the strong stock market and a generally bullish attitude towards palladium consumption. Palladium bulls may have been emboldened by a GFS report on Tuesday that called for continued growth in auto industry demand and stated that palladium prices have not gotten high enough to encourage automakers to substitute other metals. Wednesday's breakout above the May consolidation reestablished a trend of higher highs and higher lows and left \$1,039.45 as the next upside objective. Like gold, July platinum is confined to a consolidation and may stay that way until the FOMC meeting is out of the way.

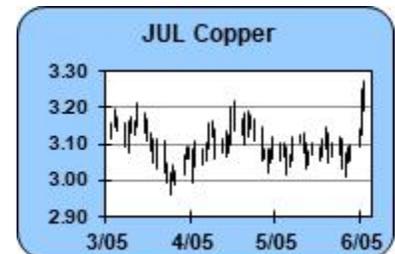
TODAY'S MARKET IDEAS: Despite a weak dollar, gold may continue to struggle to reach the top of its consolidation until next week's FOMC meeting has concluded, as rate hike fears look to build directly ahead. Look for resistance in April gold at \$1,310.60, with an additional target up at the May 15th gap between \$1,320.80 and \$1,324.30. Resistance for July silver comes in at \$16.8650 and then at \$16.875.

COPPER COMMENTARY

06/07/18

A pair of supply threats combines with positive demand views

GENERAL: Copper prices have climbed nearly 29.00 cents in less than seven trading sessions, and prices are now back within striking distance of the 2018 consolidation highs and could be close to a peak unless additional Chinese demand headlines are seen. However, potential supply disruptions at two of the largest mines in the world (Chile's Escondida and Indonesia's Grasberg) continue to provide strong underlying support, which means that supply and demand are working in unison. Workers at the Chilean mine have supplied their wage demands to BHP, and it is unclear yet if the company will negotiate or if there will be a strike. While the market saw a third daily decline in a row for LME copper stocks yesterday, that streak was ended today with a 3,450-ton build. Friday's May Chinese trade balance numbers are expected to show a year-over-year gain in imports that is lower than the March increase, and any negative surprise with that data point could put the brakes on copper's updraft fairly quickly.



TODAY'S MARKET IDEAS: Keep in mind that this year's Chinese unwrought copper imports and copper ore and concentrate imports through April were ahead of last year's pace in spite of their winter emission controls. While potential supply issues will continue to underpin prices near their recent highs, the combination of Chinese import data and weekly Shanghai exchange stocks data early Friday could encourage some longs to take their profits

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and head to the sidelines. Near-term support for July copper is at \$3.2575, while resistance is seen at \$3.3070.

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