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The Hightower Report
Futures Analysis & Forecasting

PRECIOUS METALS COMMENTARY
06/13/18

The bears have more ammunition to start today

OVERNIGHT CHANGES THROUGH 3:15 AM (CT):
GOLD -2.10, **SILVER** -3.60, **PLATINUM** -7.30

OUTSIDE MARKET DEVELOPMENTS: Global equity markets overnight were mixed with Asian/Pacific stocks generally weaker and European and US markets generally higher. The European economic slate kicked off with a Swiss PPI reading that was softer than the previous month but still in positive territory. The Swiss also released first quarter industrial production, which was up 9% on a year-over-year basis and was quite impressive. Also out overnight were May UK CPI readings which matched expectations and matched the previous month's result. UK core CPI matched expectations, while the year-over-year rate came in slightly under. UK PPI input prices on a came in much stronger than expected, while output prices slightly bested expectations, for a UK inflation outlook that was minimally inflationary. The euro zone industrial production reading for April contracted by nearly 1% from the previous month and was much weaker than anticipated. The North American session will start out with a weekly private survey of mortgage applications, followed by the May producer price index that is expected to see a modest increase from April's 2.6% year-over-year rate. The highlight will come during the early afternoon US trading hours with the results of the FOMC monetary policy meeting. The market is expecting a 0.25% rate hike, but there will be market scrutiny over Fed member rate forecasts (the "dot plot") as well as post-meeting commentary from Fed Chair Powell.

GOLD / SILVER
While the gold market remained locked in a trading range around the psychologically important $1,300 level yesterday, signs of more dollar gains, weaker oil prices and a lack of incendiary geopolitical issues today leave the bear camp with an edge to start. However, the action in the dollar has resulted in a fresh six-day high, and fear of the Fed should prevail until the decision is known. While gold might fade further under a rate hike, a move is widely anticipated, and the bear camp in gold might need a hike and hawkish forward guidance to sustain moderate pressure beyond the initial washout. The apparent progress in the North Korean peace talks deflate safe haven interest in gold, but the market might draft minimal support from fresh escalation of tensions in Yemen with a Yemini attempt to retake a port city. While gold should have a tough day in the event rates are hiked, bargain-hunting buying should be considered in silver and other industrially-based precious metals if there is an FOMC generated washout in those markets. With the markets widely anticipating a Fed hike, one would expect the action off the move to be a spike low, especially if the Fed acts and appears to be close to neutral. However,

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the selloff could be severe; a Fed hike today and a rally in the Dollar Index back above 94.00 could result in a spike low in August gold below $1,286.

PLATINUM

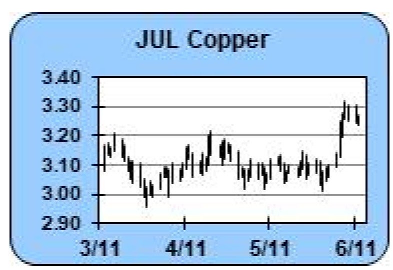
Despite weakness in the entire metals complex most of the Tuesday, the palladium market remained near the top of this week's range into the third trading session of the week. Still, a notable reversal/failure unfolded, and it is clear that the market is fearful of today's Fed meeting. It is also possible that September palladium prices above $1,106.00 are viewed as expensive in the current context and that a washout is needed to balance the technical condition and pull in demand-oriented, bargain hunting buyers. The palladium market should see solid support rise up to $990.80. A failure to hold that level into the Fed results might signal a temporary pulse down below $982. Given that platinum basically tracked in a range for the past month and a half while palladium rallied, it should be the least vulnerable to a hawkish Fed result today, but significant chart damage overnight, spillover pressure from gold, a higher dollar, and a lack of positive physical commodity market optimism sets up a target today down at $892.70 in the July contract.

MARKET IDEAS: We see the path of least resistance pointing downward in gold and the risk greater to the bulls than to the bears. While the passing of the Fed meeting could result in a relief rally late in the trading session, we think longs should pass on holding positions through the announcement of the Fed results, as gold can post significant volatility around tops and bottoms. In other words, the risk of being long outweighs the potential rewards of a market that might ultimately remain within a $1,315-$1,286 trading range. Try to buy in at the bottom of the aforementioned range or hold on the sidelines. Those long September silver might tighten profit stops or simply exit this morning, hoping for a spike down washout to $16.76 off the Fed as a fresh entry point.

COPPER COMMENTARY

06/13/18

The bears still control with ongoing technical damage



GENERAL: While a softening of labor tensions is more than likely responsible for the last four day's correction off the highs, the lack of a massive washout following the significant run up over the previous three weeks suggests value might not be that far down on the charts. Cushioning the market is a recent pattern of declines in LME copper stocks that pushed copper stocks down consistently, but a fresh negative Chinese demand story overnight out of London trumps other forces and gives the bear camp control. Apparently traders in London see softening credit activity in China as a precursor to slackening Chinese demand, and that opens up the downside. We have to think a large portion of the May and June rally was off the prospect of a protracted strike in Chile, and therefore a 7-9 cent correction off the high might not fully factor the declining strike threat against supply.

MARKET IDEAS: We can't argue against additional corrective action with a normal retracement seen down at $3.19, which coincides with the top of the March to early June consolidation zone around $3.20. In order to put the bear camp back on its heels, it would probably require a trade back above $3.28 in the July contract through the Fed meeting decision, and that is a tall order.