

## PRECIOUS METALS COMMENTARY

06/21/17

**A bounce today is not confirmation that a low has been made**

### OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

**GOLD** +3.70, **SILVER** +1.80, **PLATINUM** +1.20

**OUTSIDE MARKET DEVELOPMENTS:** Global equity markets were mostly lower overnight off disappointing inflation talk from the US Fed, a geopolitical anxiety event in Europe and fear of further weakness in oil sector issues. The Asian session featured the Bank of Japan's latest monetary policy meeting minutes which as expected held policy steady but they were also upbeat on economic prospects. The European session was highlighted by a May reading on UK public sector net borrowing (PSNB) that came in lower than the forecasts. The North American session will start out with a weekly private survey on mortgage applications, followed by May existing home sales that are expected to see a minimal downtick from April's 5.57 million annualized rate. Earning announcements will include CarMax before the Wall Street opening while Oracle reports after the close.



## GOLD / SILVER

All things considered, the gold and silver markets were fortunate that more ground was not given up on the charts yesterday in the wake of a number of glaringly bearish outside market influences. In fact, it is difficult to determine which outside market force is driving metals prices down given strength in the dollar and the significant downside washout in many industrial commodities namely crude oil. In other words, deflationary psychology is present and is pressuring gold and silver, but strength in the dollar is another concern for the bull camp. While the deflationary psychology is prevalent in this week's market action (two more Fed members late yesterday worried over soft inflation), but the Fed has tried to discount the prospect of a deflation problem and they appear to be maintaining a generally hawkish stance. Therefore, gold and silver are facing a double negative from deflation and the Fed. While the net spec and fund long in the gold market has probably come down significantly from the prior 210,000 contract reading, the market might not be liquidated until that reading has declined to 120,000 contracts. Similarly, the silver market's latest net spec and fund long reading was 72,000 contracts and it might not be liquidated until that positioning is below 59,000 contracts. Perhaps the most the bull camp can hope for is a slow continuation of the downward track in prices.

## PLATINUM

The palladium market continues to outperform the platinum market, with palladium prices this week mostly managing to defeat the adversity of a rising dollar and ongoing weakness in industrial commodities with ongoing trade near five day highs. Reports earlier this week of strong Japanese auto production in April and reports that

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US motor travel in April was 1.5% above year ago levels is just the type of news the bull camp in palladium prefers to embrace. Talk of bargain-hunting buying in September palladium gives credence to the talk of a double bottom low around \$852.75. Platinum on the other hand almost forged a fresh downside breakout early this morning with an early probe down to the \$917.50 level on the charts.

## TODAY'S MARKET IDEAS

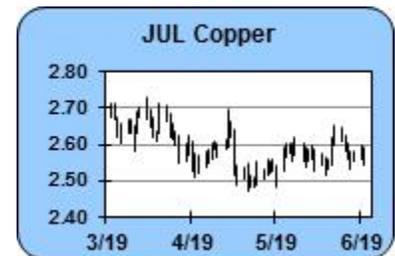
A shift lower in the dollar, a geopolitical anxiety event in Brussels and weakness in equities appears to have sparked some technical short covering interest in gold and silver this morning. However, the positive action is not limited to gold and silver as platinum, palladium and copper are all showing some modest gains and that might lend some credence to a temporary bottom in prices. However, with this week's slide below the 200 day moving average in August gold at \$1,249.60, the big picture trend looks to remain down until that moving average is regained on a close basis. In order to translate gold from a short covering market into a positive market trend probably requires a decline in the September Dollar Index back below 97.13.

## COPPER COMMENTARY

06/21/17

**Until economic sentiment improves the bears control**

**GENERAL:** Copper prices have been undermined this week as a result of an ongoing deflationary broad-based industrial commodity liquidation wave as the copper market forged a three day low yesterday in the face of potentially supportive internal fundamental copper market news and it has probed even lower in the early action today. However, news from the International Copper Study Group of a 5,000 tonne world deficit in the month of March is probably only a minor consideration in the current market setup, and that news is clearly not enough to shift sentiment away from the bear camp. On the other hand, news that Chinese import volumes of unwrought copper and copper products fell by more than 20% is not a minor consideration and that should increase the confidence of the bear camp going forward. Unless there is a sustained recovery in equities, a noted bounce in energy prices or breakaway declines in the Dollar a return to the early June lows might be ahead.



## MARKET IDEAS

With a quasi-side double high in September copper at \$2.6090 left by this week's early action and a wide variety of big picture fundamental conditions favoring the bear case, a return to last week's low of \$2.5490 is likely. In the event of a continuation of the risk off/physical commodity liquidation wave from yesterday, a further downside target at the 200 day moving average of \$2.5240 might come into play.

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