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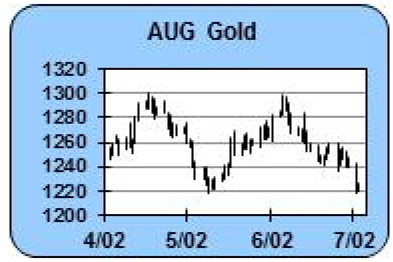
The Hightower Report
Futures Analysis & Forecasting

PRECIOUS METALS COMMENTARY
07/05/17

Without a strong US response to North Korea the bears prevail



OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
GOLD +0.90, **SILVER** -14.20, **PLATINUM** +0.50

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were mixed overnight with Chinese stocks showing strength in the wake of comments from the Chinese central bank suggesting that the Bank would leave policies in place to assist the economy. The Asian session started with a Chinese service sector PMI reading that came in slower than the prior month. The European session started with Italian service PMI readings that softened from the prior month while French composite service PMI readings were unchanged and German service sector PMI was also unchanged. The overall euro zone PMI services result was also unchanged while the UK services PMI readings declined. Capping off the European data flow was an improvement in euro zone retail sales on a month over month basis. North American trading session will present weekly chain store sales figures early on followed by the New York PMI index, factory orders and weekly EIA oil inventory statistics.

GOLD / SILVER
Clearly the gold market has received lift from the North Korean missile launch especially with the press anticipating some kind of measured response against that action from the US President. Holding back the gold market is a press report noting a significant drop-off in demand for gold in India on the first day of the new GST. Obviously some buyers of gold anticipated the increased cost and purchased ahead of the GST start. Fortunately for the bull camp the Indian wedding season looms three weeks out and the North Korean situation is likely to dominate the headlines in the coming sessions. Unfortunately August gold enters today's trade pinned down to the low forged on Monday in a manner that leaves the technical picture in favor of the bear camp. Another issue that might apply minimal pressure to gold and silver prices this morning is moderate early weakness in crude oil prices. An issue that might retard physical supply flow onto the world markets was seen from reports of a new Tanzanian gold export royalty increase of 2%. The next support point in August gold might be the 3 1/2 month trading range low of $1217.80.

PLATINUM
In the early going today the palladium market is clearly outperforming the platinum market in a fashion that seems to suggest the palladium market has turned up after finding a bottom at the end of last week. While total palladium derivative holdings have continued to slide it would appear as if September palladium has rejected sub $850 pricing and is now capable of clawing its way back into a range defined as $852 and $875. On the other hand

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October platinum remains pinned down to the low forged in the prior trading session and seemingly poised for a return to the 2017 low of $898.80.

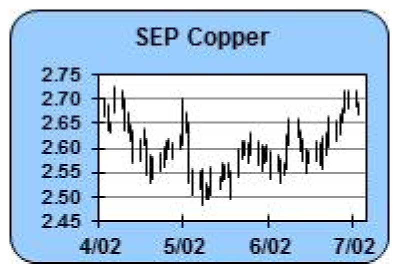
TODAY'S MARKET IDEAS

While the gold market might periodically derive safe haven support off the North Korean situation it might take evidence of a military response to North Korea to effectively pull gold out of the definitive slide of the last four weeks. Since the action in the dollar hasn't been tightly correlated with gold price action of late the higher dollar action to start today is of limited interest to the gold trade. However with the dollar making a fresh five day high and approaching a critical pivot point up at 96.32 the currency impact on gold could transition into a definitive negative quickly. Initial and thin support is seen at $1218 and then at the May low of $1217.80. Pushed into the market we are a seller of rallies with a close monitoring of the US response of the North Korean missile test. September silver has already forged a fresh downside breakout with the next downside targeting seen at $15.87 from the December 2016 spike low.

COPPER COMMENTARY

07/05/17

The bear camp takes control off Korea and LME stock builds



GENERAL: The September copper contract has fallen aggressively to start the trading session in a move that might be primarily the result of a developing pattern of "huge" daily LME copper warehouse stock inflows. In fact with a today inflow tally of 69,000 tons in two days it would appear as if a classic fundamental reaction has resulted from September copper prices returning to the $2.70 level on the charts. In other words prices reached a high enough level to attract supply into exchange warehouses and the trade can see that as a sign of slackening demand or building supply. It is also possible that the North Korean action has fostered a risk off vibe for physical commodities but it is also possible that the "need" for dovish PBOC monetary policy statements have tempered optimism toward the Chinese economy. In fact a weaker Chinese economic view was reinforced by a Chinese service sector PMI reading that declined from the prior month. In the end some copper traders are probably anticipating a military strike against North Korea in response to their ICBM test.

MARKET IDEAS

With the initial range down move forging a four day low and September copper fresh off a three week rally of seven cents the market is vulnerable to further near term losses. Next downside pivot point support is seen at

$2.6565 and then again at $2.6495. In order to shift the technical condition away from the bear camp probably requires a trade today back above $2.6915. In the event that LME copper stocks post another five digit inflow on Thursday that could set the market up for a slide all the way back down to the $2.60 level.

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