

## PRECIOUS METALS COMMENTARY

11/29/17

**A lack of direction to start as \$ action is mixed**

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

**GOLD -0.70, SILVER +0.70, PLATINUM +2.80**

**OUTSIDE MARKET DEVELOPMENTS:** Global equity markets overnight were mixed with the markets seemingly unfazed by the latest Korean missile test. The Asian session saw Japanese retail sales fall for the first time in the year and that in turn weakened overall third quarter consumption readings. The European session saw a weaker than expected consumer spending release, an unchanged Euro zone GDP, an uptick in German inflation and a slight dip in UK consumer credit. Other reports released overnight showed a slight decline in UK mortgage lending, a slight uptick in euro zone business climate sentiment and a minimally positive consumer confidence sentiment reading. The North American session will start out with a weekly private survey of mortgage applications, followed by a third quarter reading on gross domestic product that is forecast to see a modest increase from the previous 3.0% annualized rate. October pending home sales are expected to show a moderate increase from September's unchanged reading. The FOMC's latest Beige Book will be released during the early afternoon. Fed Chair Yellen will testify in front of the Congressional Joint Economic Committee and New York Fed President Dudley will speak during morning US trading hours, while San Francisco Fed President Williams will speak during the afternoon. Earnings announcements will include Tiffany before the Wall Street opening while Workday, Synopsis and PVH report after the close.



## GOLD / SILVER

All things considered, the gold market held up fairly impressively in the face of an adverse currency trade yesterday and with the slight dip in the Dollar this morning and the North Korean situation back in the headlines there might be a measure of fundamental support under the gold market to start today. It is surprising that gold has generally held together in the face of escalating big picture economic and investor optimism from the US equity market's upward explosion. Ultimately, the gold market benefited from nomination dialogue from Jerome Powell yesterday as he initially seemed to reduce the odds of aggressive rate hikes at the start of his potential term. It is also possible that the gold market derived some support from Powell comments that low-wage inflation remained a concern of the Fed as that leaves some measure of financial/economic uncertainty in place. It is concerning for the bull camp that gold did not benefit from news of another North Korean ICBM launch! Perhaps the safe haven tilt in gold is moderated by North Korean statements that they only desire Nuclear weapons as a defensive weapon. In the end, the trade seems to see a Powell-led Fed as a supportive development and fortunately for the gold bulls, the optimism spilling from equities has not yet undermined gold prices because of

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that action's capacity to deflate safe haven conditions. The world's largest gold ETF saw their holdings fall by 2.66 tonnes on Tuesday and reach their lowest level since September 15th.

### PLATINUM

While the platinum market showed a very impressive range up breakout yesterday, it was unable to climb above the \$960 level and it has started the action today basically unchanged in a fashion that hints at a blow off top of sorts. The bull camp has to be extremely disappointed that the big picture risk on mentality being thrown off by equities failed to sustain higher platinum prices. However, leadership within the PGM complex has once again shifted back in favor of palladium which once again rekindles the lofty international industrial demand/auto catalyst use hopes for palladium. One almost gets the sense that large funds are dominating the PGM complex through spread trading, and that views can shift 180 degrees without warning. While the palladium market is probably approaching a record spec and fund long positioning with the low to high rally over the last week of \$40, we doubt the market will be held back because of technical considerations. The fact that platinum finished unchanged yesterday in the face of a huge range up extension in palladium would seem to favor the spread domination theory, but the trade continues to embrace the idea that Asian auto catalyst demand will focus on a tighter-supplied palladium market.

### TODAY'S MARKET IDEAS:

While it is difficult to turn negative toward gold in the face of another aggressive act from North Korea, we think gold is vulnerable any time the dollar shows strength. While Washington has a long record of disappointing on policy making efforts there does appear to be a push to "get a bill" this week and that could provide the dollar with a bullish fundamental story to add to the gains this week and that would be problematic for gold and other physical commodities. On the other hand, the gold market since the beginning of November has basically carved out a pretty consistent upward grind on the charts and it remains near an extremely critical pivot point of \$1,300. Uptrend channel support in February gold today comes in at \$1,292.30 and resistance isn't seen until \$1,304. Pushed into the market we would favor the purchase of puts following another seven dollars on the up-side.

### COPPER COMMENTARY

11/29/17

#### The bears retain control off Chinese demand fears

**GENERAL:** With a huge range down washout in copper yesterday and a further downside extension this morning, it would appear as if the fortunes of the bull camp have shifted both fundamental and technical perspectives. Technically, the market appears to have put in a quasi-side double top with the highs from last Friday and Monday and with the market vulnerable from the size of its net



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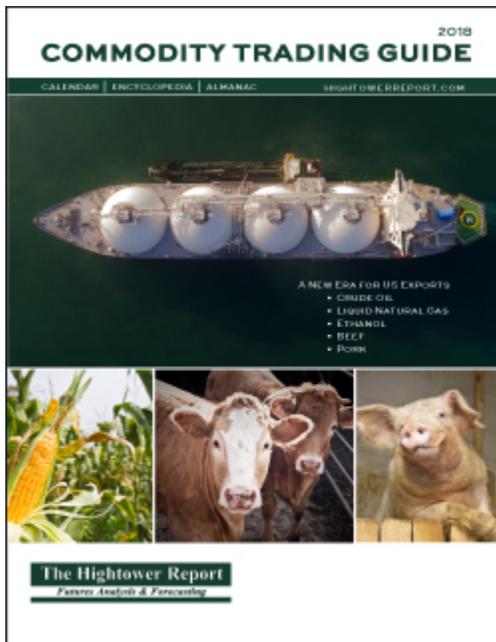
spec and fund long positioning (from the Commitments of Traders report), it isn't surprising to see prices falling sharply. Perhaps the market was undermined as a result of a lofty future production forecast from Peruvian government officials, but it is also possible that fears of increased selling of copper by Chile (because of a selloff in their currency), fears of softer Chinese smelter demand off pollution control efforts and severe chart damage has simply put the bear camp in the driver's seat. In the current environment another large decline in daily LME copper stocks is simply swept under the rug perhaps because of predictions of Indonesian copper export targets from Freeport Indonesia.

### MARKET IDEAS:

Given the potential for additional stop loss selling in the wake of the large failure on the charts this morning, there might not be much in the way of solid support in March copper until an old quasi-double low of \$3.0550. Traders should probably expect an expansion of volatility ahead, and it could take a sizable rally back above \$3.1405 to effectively take control away from the bear camp.

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