

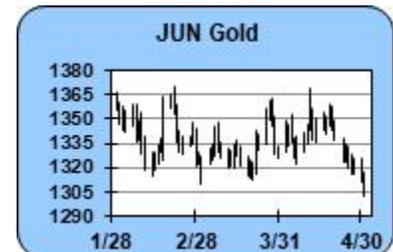
PRECIOUS METALS COMMENTARY

05/02/18

Temporary bounce this morning but the bears hover in the background

GOLD / SILVER

As in many other physical commodities, the metals complex came under aggressive liquidation again yesterday off a broadening set of outside market influences and that leaves the market vulnerable despite the attempt to bounce early this morning. However, chief among the bearish themes has been the strength in the US dollar and with a slight chop lower this morning in the Dollar it appears as if gold is seeing some short covering buying. One might suggest that there is a measure of bargain hunting buying given that gold seems to have shown signs of respecting the \$1,300 level again and that level grows in importance, given the market's capacity to reject slides to that level throughout 2018. While the Dollar has been rising off the looming threat of higher US interest rates into today's US FOMC meeting, we think the Fed will hold steady and that could prompt a further temporary short covering bounce. However, the potential short covering action in precious metals could be short-lived or nonexistent in the event that the Fed holds steady but gives off the impression of action next month. On the other hand, with the gold and silver markets justifying the sharp slide in prices (several times over the last three weeks) off the prospect of US Fed action, traders should probably expect some noted short covering in the event that the Fed does hold steady. Fortunately for the bull camp significant consolidation low levels on the charts appear to be significant.



PLATINUM

In addition to the negative spillover from gold this week, the PGM complex has seen added pressure from the persistent gains in the dollar and with both those outside market forces reversed early today a measure of recovery is justified. The PGM complex should have seen some pressure from disappointing US vehicle sales yesterday but the PGM complex over the last 3 weeks hasn't been driven significantly by the ebb and flow of physical demand ideas. In fact we suspect that part of the liquidation pressures have been the result of classic stop loss selling by the speculative contingent. In the last COT report, the platinum market registered a net spec and fund long of 11,462 contracts but given the slide in palladium of \$36 from the last COT report, it is likely that the platinum market was very close to technical balance. The first resistance level in June palladium is seen up at \$960.10. In a similar fashion, the platinum market has probably brought down its net spec and fund long of 22,770 contracts with the post COT report high to low slide of \$42! In conclusion the PGM complex chances of forging a low have risen.

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The Hightower Report

Futures Analysis & Forecasting

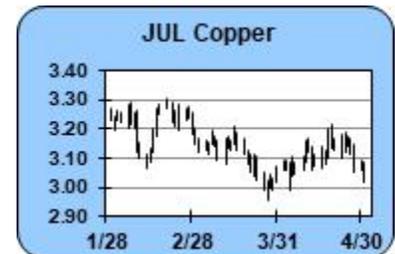
TODAY'S MARKET IDEAS: While we acknowledge the potential for downside follow-through in the first half of the trading session today, we suspect the gold and silver markets will show some form of corrective bounce once the Fed window has been passed. However, in the event the Fed acknowledges "price pressures" that could thwart the potential bottoming and extend June gold back to the \$1,300 critical pivot point support level that has been forged over the last nine months! In the bears' defense, the gold market still held a somewhat lofty net spec and fund long positioning of 167,807 contracts in the last COT report and that could still facilitate more selling. However, the gold market since the last COT report measurement has declined by \$26 and the trade has potentially overdone the whole rate hike storyline. In fact, some would suggest a "sell the rumor, buy the fact" reaction will be seen to the FOMC today especially since it appears as if some buying of the fact is already taking place early on.

COPPER COMMENTARY

05/02/18

We think some form of bottom is in place

GENERAL: Like a number of other physical commodities, the copper market this week has come under noted pressure because of outside market forces. In fact, with an extension of the late April slide into the new trading month momentum and technical forces looks to generally leave the bear camp with control. However, with the July copper contract approaching and initially rejecting the potentially important psychological level of \$3.00, the market is seeing some temporary support/recovery action perhaps from short covering ahead of the Fed event. It goes without saying that US rate hike fears, a rising dollar and a Chinese holiday earlier this week added into the negative bias but that feels like an overload of bearish news was rushed into pricing in a fashion that set the stage for this morning's bounce. Unfortunately for the bull camp, the last COT positioning report in copper showed a lofty net spec and fund long of 43,366 contracts and that clearly added to the stop loss selling action of the prior four trading sessions. On the other hand, the net spec and fund long positioning has probably come down with the slide of 15 cents following the measurement of the COT report that spec long is balanced.



MARKET IDEAS: As in several other metals/physical commodities, the copper market has quickly approached and seemingly rejected a critical pivot point on its charts as if some value has been found. The \$3.00 price level on the charts has been a fairly impressive support point since last August, and we suspect the sellers are unwilling to press the market lower and the trade has now forged a bottom that should hold unless the Fed today

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presents a hawkish surprise. Shorts should now put near term close in targets on their positions and aggressive would be buyers should be poised to buy on a Fed inspired spike down to \$3.00.

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