141 W. Jackson Blvd. Suite 4002
Chicago, IL 60604
(800) 662-9346
https://hightowerreport.com

The Hightower Report
Futures Analysis & Forecasting

PRECIOUS METALS COMMENTARY
07/25/18

The bulls have early control but we are highly suspicious of the rally

OVERNIGHT CHANGES THROUGH 3:15 AM (CT):
GOLD +1.40, **SILVER** +0.00, **PLATINUM** +5.30

OUTSIDE MARKET DEVELOPMENTS: Global equity markets overnight were mixed, with Asian stocks trading weaker and transmitting that weakness into Europe. Global equity markets were seemingly undermined by news that the EU was preparing to place tariffs on $20 billion of US goods in the event the US places tariffs on European auto imports. Eyes will be on Washington, where European Commission President and US President Trump are scheduled to meet and discuss the trade issue. Overnight data included French producer prices, which notched a minimal gain that paled in comparison to the previous month's reading. Euro zone money supply growth ticked up on an annual basis, loans to EU households remained steady, and the overall EU money supply increased moderately. The European session will also be highlighted by the July IFO survey of German economic sentiment that is expected to see a modest decline from June's 101.8 reading. The North American session will start out with a private weekly survey of mortgage applications, followed by June new home sales that are forecast to have a moderate decline from May's 668,000 annualized rate. Another busy day of earnings announcements will include Boeing, Coca-Cola, UPS, Anthem and General Motors before the Wall Street opening, while tech bellwether Facebook, Visa, QUALCOMM, Ford Motor and Mondelez report after the close.

GOLD / SILVER

The gold and silver markets held up relatively well yesterday and prices have rallied this morning, but the environment for the precious metals remains bearish. A lack of Asian demand evidence on the latest slide in prices, fear of stimulus removal, and seeing the dollar hang near its 2018 high leaves commodities like gold and silver out of favor. Talk that one or both of the parties to the US/Chinese trade battle might consider using their currency as a weapon could also leave gold and silver bulls hopeful of a weakening in the greenback. It would also seem as if prospects of an EU tariff launch of $20 billion against US imports is providing some lift to gold early, but that is a break with recent patterns. While both metals appear to be benefiting from a lower dollar early today, it is our opinion that the Dollar Index will have to fall below 94.00 to shift the currency impact on them from neutral to consistently supportive. From a technical perspective, the charts in gold remain negative, with the silver charts only slightly less negative.

PLATINUM

While the PGM markets initially added to their recent bounce off the July lows and prices remain positively

141 W. Jackson Blvd. Suite 4002
Chicago, IL 60604
(800) 662-9346
https://hightowerreport.com

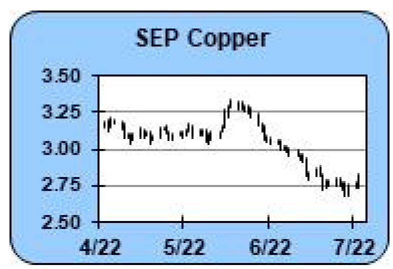
positioned early today, the run-up in palladium prices over 3 1/2 days reached a very significant $67, and that speaks of a short term overbought condition. Surely the Chinese stimulus story played large part in the recovery off the July lows, but now we have to wonder if the bull camp can count on additional bullish headline flow. We also think that the recent rallies have put prices back up to levels that alleviate the extensively oversold condition, and without a positive progression in US/Chinese trade relations, progress in the US/EU talks, or very positive leadership from the gold market, the PGM markets might offer a near term sale. Into the highs on Tuesday, the PGMs climbed back into the bottom of the April-July consolidation range, which might begin to offer thicker overhead resistance. We do think that October platinum will claw its way temporarily above $850, with palladium temporarily climbing above $936.

TODAY'S MARKET IDEAS: While we remain bearish toward gold because of the fear of less accommodative policies from central bankers, a lack of Indian and Chinese bargain-hunting buying, a lack of definitive downside trend action in the dollar, and also because of the potential for sudden risk off headlines flowing from the world trade situation, the markets this morning seem to be catching a lift from minor weakness in the dollar and concerns toward US/EU trade talks. However, the idea that safe haven buying from trade has entered the market is highly suspect, as additional tariffs are a threat to global growth and therefore a threat to physical gold demand. Initial resistance and a possible short entry point in August gold is seen at $1,236.20, with downtrend channel resistance off the June and July highs also seen around at $1,238 level. While the silver charts look slightly less negative than gold, we leave the control with the bear camp unless the September contract manages to climb back above $15.70.

COPPER COMMENTARY

07/25/18

China & strike threat are a temporary support for prices



GENERAL: The copper market flashed higher yesterday, as would be expected following news that China was set to provide fiscal stimulus to its economy. While this move by China is on its face supportive, it could also mean that they are bracing for a long and protracted trade battle with the US. Another major issue lifting copper prices is news that BHP has made a "final offer" to workers at the Escondida mine in Chile, with some sources suggesting the deal will be rejected. Apparently the unions were looking for a 5% wage increase with a $40,000 bonus, and the company's offer is reportedly a 1.5% wage increase and a signing bonus of only $27,700. A potential negative for the copper market going forward is a lower price projection from Chile's state copper entity that was based on the drag from US/Chinese trade problems. The Chilean state agency also predicted higher 2018 production than in 2017, and they also raised production estimates for next year.

141 W. Jackson Blvd. Suite 4002
Chicago, IL 60604
(800) 662-9346
https://hightowerreport.com

The Hightower Report
Futures Analysis & Forecasting

MARKET IDEAS: Positive news from China regarding a fiscal cushion for their economy and the threat of a Chilean strike justifies some technical short covering and perhaps some limited fresh buying off the prospect of a strike-induced supply pinch. However, we are not prepared to call for an end to the downtrend pattern until there is light at the end of the tunnel on the US/Chinese trade war or there is progress in other US trade conflicts. While the copper market might have been close to a spec and fund net short into last week's lows, into the high yesterday it was trading as much as 13 cents above the lows, and that has probably rebuilt the long to some degree. Higher production estimates from Chile and reduced price forecasts are limiting, but these are somewhat offset by news of lower Polish production last month. Unless there is a bullish turn in the trade situation, we see solid resistance at $2.8350.