

# The Hightower Report

*Futures Analysis & Forecasting*

## PRECIOUS METALS COMMENTARY

02/11/15

**Residual weakness expected off rising \$ & talk of Greek solution****OVERNIGHT CHANGES THROUGH 6:05 AM (CT):****GOLD +3.20, SILVER +6.70, PLATINUM -0.40**

London Gold AM Fix \$1,235.50, -\$2.25 from prior AM FIX

LME Copper Stocks 288,750 tons -750 tons Shanghai copper stocks +2,354 tons



**OUTSIDE MARKET DEVELOPMENTS:** Global equity markets were mostly lower in early morning action as they braced for a meeting among Euro zone finance ministers over Greece's debt situation. Risk-taking sentiment was subdued, with uncertainty surrounding the outcome of several key meetings. The standout gainer overnight was China's Shanghai Composite, which was up for a third consecutive session on ideas that their central bank may take action to support growth. Sentiment turned a bit more cautious heading into the European trading hours, with uncertainty ahead of Euro group meetings over Greece's debt crisis, especially with growing contention between German and Greek leadership. Equity market attention this morning will also key in on Ukraine Peace talks in Minsk that appear to be leaning in favor of an agreement. US equity markets traded marginally lower in front of the Wall Street open, with a cautious tone ahead of Greek debt talks. The US economic calendar is quiet once again in today's session, with focus turning to headline flow out of Europe and Minsk.

## GOLD / SILVER

While a rising Dollar added to the downward track in the precious metals complex yesterday, the gains in the Dollar this week haven't been overly impressive, especially when one considers the rather hawkish dialogue flowing from the US Fed's Lacker. However, precious metals have also been undermined by ideas that a full blown Greek crisis might be avoided, but the focus of the trade this morning will be on a meeting between the players in the Greek saga and whether or not the 6 month extension rumored yesterday will be granted. With a Ukraine Peace Summit also underway in Minsk, expecting Putin to be in attendance, the tone and duration of the Ukraine conflict is likely to hit a critical junction. Both sides are attempting to establish favorable border designations with Ukraine launching an offensive to regain lost ground ahead of the summit. With hawkish dialogue from the Fed's Lacker offering a negative for gold and silver prices yesterday, the trade will be watchful of comments from the Fed's Fisher later today. Another issue that might indirectly impact gold and silver prices is another reading on US oil inventories, which are expected to rise again. In short, another sharp slide in oil prices might serve to drag gold and silver prices lower this morning.

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## PLATINUM

The PGM markets were not immune to the broad-based physical commodity market liquidation wave on Tuesday. Surprisingly, the PGM's were unable to benefit from a slight improvement in global economic sentiment, perhaps because the sharp declines in crude oil prices once again rekindled fresh fears of deflation. As mentioned in gold coverage today, evidence of rising US crude oil stocks later this morning, could add to the deflationary liquidation tilt in PGM prices. It is also likely that fresh technical damage on the platinum and palladium charts fostered some of the selling pressure this week and therefore we can't argue against additional downside directly ahead. However, news that the Lonmin CEO sees 69% of South African platinum production to be unsustainable highlights the precarious long term supply situation facing the platinum market ahead. In the near term, the bull camp needs a definitive shift toward risk on sentiment to reverse ongoing deflationary fears and currency related liquidation pressures.

## TODAY'S MARKET IDEAS:

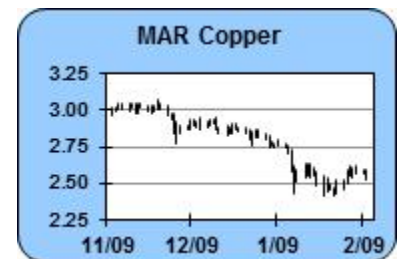
While there is initial support in June Gold at \$1,229.80, we don't think the market can avoid a retest of more significant support down at \$1,223.90, especially if the Dollar manages a fresh higher high for the move later this morning. Initial downside targeting in March Silver is seen at \$16.52, but closer-in support is seen at \$16.68. As indicated yesterday, we are an interested buyer of April Platinum on a further decline to \$1,197.80, but those that get long probably have to risk that trade to a close below \$1,174.

## COPPER COMMENTARY

02/11/15

**Technical damage favors the bears unless Greece issue improves**

**GENERAL:** The copper market came under pressure from a combination of fresh Chinese copper demand fears, resurgent deflationary pricing in crude oil and also because of another daily rise in LME copper stocks. While the PBOC has promised to support the Chinese economy in the wake of recent slack data flows, the copper trade isn't convinced that support will be forthcoming quickly. It is also likely that weak technical action in copper futures, adverse Dollar action and hints of rising US interest this summer rates added to the bear's confidence on Tuesday. Like the precious metals markets, copper has seen fresh chart damage, residual pressure from sharp losses in crude oil and the potential for additional declines in oil prices later this morning, following another jump in US oil inventories. As if the bear camp didn't have enough ammunition, the outlook for near-term Chinese demand is expected to remain weak into an upcoming Chinese holiday. In the near-term, even sharp gains in equities might not pull copper out



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141 W. Jackson Blvd. Suite 4002

Chicago, IL 60604

(800) 662-9346

[www.HightowerReport.com](http://www.HightowerReport.com)

of a near-term slide on its charts unless of course one or both of the world crisis issues (Greece or Ukraine) are solved.

## **MARKET IDEAS:**

A pattern of lower highs, a lack of optimism toward China and expectations of more deflationary price action in crude oil favors the bear camp today. Near-term downside targeting is seen down at \$2.50, and even lower targeting is seen down at \$2.4635. To alter the downward bias on the charts probably requires a rally and close back above \$2.5905.

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