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## PRECIOUS METALS COMMENTARY

05/02/14

### EVEN A STRONG JOBS NUMBER MAY NOT SUPPORT GOLD

#### OVERNIGHT CHANGES THROUGH 6:06 AM (CT):

**GOLD** +3.50, **SILVER** +12.70, **PLATINUM** -0.70

London Gold AM Fix \$1,285.00, +\$2.00 from prior AM Fix. LME Copper Stocks 229,800 tons -1,200 tons  
Gold Stocks 7.885 million ounces -50,199, Silver Stocks 174.310 million ounces -173,917



**OUTSIDE MARKET DEVELOPMENTS:** Asian markets started off with a March reading on Japanese Household Spending, which at an annualized rate of 7.2% showed considerable improvement from the 2.5% year-over-year decline last month. Also of interest was a reading on the Japanese Unemployment rate for March that came in at 3.6%, which was unchanged from February's level. The Japanese Nikkei opened down 0.21% but still remained well above Monday's low. European markets received an active round of April manufacturing PMI readings from Italy, France and the broader Euro zone, all of which showed modest improvements from their previous readings. However, Germany showed a modest decline in their manufacturing figures for April. The April Construction PMI figure in Great Britain came in at 60.8, well below forecasts and lower than the 62.5 reading for March. The Euro zone March Unemployment Rate was at 11.8%, an improvement on the 11.9% reading from February. The main event of the session is expected to be April US Non-Farm Payrolls, which are expected to show improvement from their March reading of a 192,000 gain with market forecasts centering around 210,000 to 215,000 jobs added. Forecasts are for the US Unemployment rate to dip to 6.6% from the 6.7% reading for March. The next data window in the US presents a look at March Factory Orders, which are expected to show a fractionally slower pace than the 1.6% month-over-month gain seen in February. US corporate earnings that could garner some attention ahead of the Wall Street opening include CVS Caremark and Chevron.

## GOLD

**GOLD MARKET FUNDAMENTALS:** Another big range-down washout on Thursday in the face of a generally weak dollar, uncertainty towards Ukraine and generally slow economic results indicates the bears are in control. This suggests the gold market is acting more like a physical commodity than a safe-haven asset. It doesn't help that Fed unwinding continues and the slow but significant exodus from derivative holdings continues. In April the Fed cut its asset buying to \$45 billion, the 4th straight month with a \$10 billion cut. A major gold derivative fund saw its daily holdings fall 2.3 tonnes to 785.6 yesterday, its lowest level since January 2009. On the positive side, Indian gold jewelry exports jumped for the second straight month in April to \$990.03 million, up 6.1% from a year ago. Strong demand and the easing of bullion import restrictions into India are being cited for the increase. One would have thought that overnight reports that two-thirds of striking platinum mine workers were willing to accept the latest wage offer by South Africa's Impala mine would have pressured the market, but so far there has been little reaction. The bulls probably need to see signs of growth from the US, otherwise gold could finish the week flat on its back. While June Gold is \$118 an ounce below the March highs, it probably is maintaining a moderately

large net spec long, and further technically-related selling might be expected unless macroeconomic sentiment improves today. Given the slide in gold off the March and April highs, some portion of disappointment over the slack economy has been priced-in. It might require a noted downside breakout in the Dollar Index to see gold shift its focus away from slowing and toward safe-haven currency-inspired interest. The gold market this week saw some signs of higher gold production and a slight outflow of investment interest, and that leaves the bear camp with another edge. Comex Gold Stocks were 7.885 million ounces down 50,199. Comex Gold stocks are at the lowest in the past 10 readings. It may take a decline to \$1,250 in June Gold for the net spec long to be liquidated enough for the market to find support. Until we see improved macroeconomic vibes, Russian military incursions into the Ukraine, or a distinct downside breakout in the Dollar, we aren't expecting a major bottoming. However, if there is a sharp decline to \$1,250, aggressive traders might consider attempting to pick a low. Trendline support today comes in at \$1274.70, with resistance at \$1,294.80.

## **SILVER**

**SILVER MARKET FUNDAMENTALS:** July silver is moderately higher this morning after falling to its lowest level since August 2010 yesterday. From a fundamental perspective, the silver market is under pressure because of slumping physical demand prospects, spillover weakness in gold and generally negative physical commodity market price action. However, given the relatively lower spec long positioning in silver and given the sharp washout in the July contract Thursday, it is possible that spec long has been brought down to an insignificant level. If we see the spec position fall below 10,000 contracts net long, it could mean that silver is "mostly liquidated." It also may mean it would require fears of a failed global recovery or a sharp rally in the Dollar to send silver prices markedly below the Thursday low. Comex Silver Stocks were 174.310 million ounces down 173,917. Stocks have declined 16 of the last 20 days. On further weakness today, we would suggest that traders consider the purchase of July Silver \$22.50 calls for a speculative play. However, the bear camp might retain a technical edge as long as July Silver remains below \$19.15.

## **METALS TECHNICAL OUTLOOK:**

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

COMEX GOLD (JUN) 05/02/2014: The daily stochastics gave a bearish indicator with a crossover down. Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market setup is somewhat negative with the close under the 1st swing support. The next downside target is 1269.3. The next area of resistance is around 1292.5 and 1300.6, while 1st support hits today at 1276.9 and below there at 1269.3.

COMEX SILVER (JUL) 05/02/2014: Momentum studies are declining, but have fallen to oversold levels. The market's short-term trend is negative as the close remains below the 9-day moving average. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is 1843.9. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 1932.2 and 1956.8, while 1st support hits today at 1875.8 and below there at 1843.9.

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