

Friday's Market Report

October 28th, 2016



The EU banks must pay for manipulating the metals market and pay they will. The Force is weak in them!

"Bank of England Asks UK Banks to Limit Their Exposure to Deutsche Bank" – SilverDoctors

Friday's Trivia: Why do you swear when you're in pain, such as hitting your thumb with a hammer?

The Yin - Bull Case for Gold from Brad Yates at Elemental: Despite a halving of futures spec longs, the gold and silver prices have held up well on the back of the 200 DMA, mostly due to lack of ETF selling. Roughly \$10.6 trillion in national sovereign debt is still negative yielding to maturity. That figure is up for the first time in three weeks, according to BBG. DXY resistance at 99.5-100 has been massive and has held since December of last year. The EFP and forwards have both come left dramatically, illustrating that speculative length has come back to about fair value on the whole, or at least balanced. Risk reversals are basically flat, so there is only a slight bias to the call side. When call skew is exceedingly steep, the likelihood of any breakout gets diminished by delta hedgers. Physical silver demand seems to be waking up some and supply has gone quieter after the drop.

The Yang - The Bear Case from Ranjeetha Pakiam: The Federal Reserve will probably raise rates in December and twice more in 2017, boosting the dollar and hurting gold, according to Singapore-based Oversea-Chinese Banking Corp., the most accurate bullion forecaster in the third quarter. Gold will retreat each quarter next year, dropping to \$1,100 an ounce in the final three months of 2017, Barnabas Gan, an economist at the lender, wrote in a commodities report. The metal for immediate delivery traded at \$1,266.74 an ounce on Wednesday, about 15 percent above the target for the end of next year.

Gold/Lawrie Williams: A report in Pravda suggests that the lower oil prices and the implementation of Western sanctions in particular have been having a particularly adverse impact on Russia's current account and it may now become necessary to sell some of its gold reserves and diamond stocks to counteract a growing deficit.

Just how big are they?

Regarding gold, Russia is vying with Australia to be the world's second largest producer of the yellow metal – indeed some projections suggest it could become the world's largest gold miner within the next ten to fifteen years. The Russian Central Bank has also been the world's largest official gold buyer in recent months. It is also the world's no. 1 producer of diamonds, mining around 25% of the global total.

Gold in UAE - How Diwali Can Impact Prices/Gulf News: Indians are the world's biggest consumers of the precious metal, next to Chinese, accounting for 97.9 tonnes of gold jewelry -- 22 per cent of the world total-- during the second quarter of the year.

"We may see a little nutpick in gold price due to customers expected to buy during the auspicious Indian festival of Diwali," Karim Merchant, group CEO and managing director of Pure Gold Jewelers, told Gulf News. "We have started seeing a lot of bookings. If all these materialize, we would expect gold jewelry sales to be higher between 20 per cent and 30 per cent compared to last month."

Bloomberg: China, the world's biggest gold consumer, raised bullion imports from Hong Kong in September for the first time in four months as investors sought to diversify their assets on prospects for a weakening Yuan. Net purchases were 44.9 metric tons from 41.9 tons in August and 96.6 tons in the same month last year, according to data from the Hong Kong Census and Statistics Department compiled by Bloomberg. The mainland bought 64.8 tons compared with 55.2 tons in August, while exports were 19.9 tons from 13.2 tons. Mainland China doesn't publish the data.

Chinese Tidbits for the Week: China sold \$34 billion of US Treasuries last month and purchased \$87 billion worth of Japanese sovereign debt. China's banks have almost 30 trillion equivalent USA liabilities on their books with 15% to 20% of that considered non-performing.

Silver: Silver on the 25th a new record is set for trading. Silver ETF hits all time high overnight. Silver ETF holdings now at 671,792,257 ounces. Kind of hits you as odd as gold has been hit with GLD reductions but the silver just keeps growing.

Copper: With a government meeting underway in Beijing sparking talk of more assistance for the Chinese economy it wasn't surprising to see copper prices leap upward from the late October consolidation zone. In fact, copper players overnight were presented with predictions that Chinese copper imports were set to rise and that furthers the potential positive impact of all things China. However, the market should retain some buying interest off news that Anglo-American saw its 3rd quarter production soften a bit but that news was offset by overnight guidance that pegged Antofagasta 3rd quarter production to have risen by nearly 9%. We also think that copper prices are being lifted off the extending pattern of declining LME stocks especially with another decline of 2,575 tons this morning. However, with copper springing 5 cents higher yesterday and reaching the highest level in 7 days, we have to think that some measure of technical short covering fuel was expended yesterday.

Aluminum Market Outlook for 2017/Thomson Reuters GFMS: After years of aggressive production expansion, primary aluminum production appears to undershoot market expectations this year, thanks to a sharp slowdown in China. Meanwhile, inventory levels continue to slide across key exchanges, with the decline in SHFE inventories particularly severe, bringing the front end of the SHFE forward curve to its sharpest backwardation in years. This however, is also a function of changing operating dynamics in the aluminum industry as fabricators increasingly are taking aluminum in liquid form rather than ingots. Should producers continue to observe production discipline, 2016 could prove to be the turning point in an industry that has long been plagued by excesses.

WSJ: Homeland Security is investigating whether nearly one million tons of aluminum shipped to Aluminicaste Fundición de México, a factory once owned by Mr. Liu's son, were part of an effort to evade U.S. tariffs by routing the metal through another country to disguise its origins, the people familiar with the investigation said. Homeland Security's investigation, which is in its early stages, is focusing on whether aluminum products that Zhongwang produced in China—and which are subject to U.S. tariffs as high as 374.15%—were brought into the U.S. in the form of shipping pallets at much lower tariff rates.

Pete's Corner

I was listening to Andrew Maguire on the Sprott Money News station and he felt that after reading the Deutsche Bank settlement a few times that the major banks that participated in rigging the London metals fix trade did receive immunity from prosecution, but only in criminal court. The rumors are that civil courts are about to slam the banks with billions of dollars in law suits. What really hit me, as I listen to him, is that all the evidence is already in place and they pleaded guilty. This smoking gun is just too apparent to those that have been abused by these banks and I really think judgement day is coming.

From GoldCore: Goldman Sachs has long been the most vocal, prominent and widely quoted bear in the gold market. However, in recent weeks there is a marked change in their tune and they are now bullish on gold in the medium and long term. They are concerned about further price weakness in the short term as we run into year-end but believe this will be a buying opportunity.

Goldman is now saying that the precious metal will be good to own in an environment of "political uncertainty" ahead of the November elections. Goldman Sachs Head of Commodities Research Jeff Currie told CNBC's "Power Lunch" this week that it is good to own gold in our current political state. "I always like to say gold is a great hedge against politicians, and we have a lot of political risk in the market right now. So gold has a strategic purpose," he explained. "Why? What's the tie between gold and politicians?" Brian Sullivan of CNBC asked Currie. "Well, if you think about the correlation between rates and you think about when you debase a currency or weak dollar, what people gravitate to are hard assets and gold is the epitome of the hard asset," Currie explained.

Smartmatic Voting Machines: One of my readers was good enough to pass me the link for Smartmatic and on the lead page this statement was in bold letters:

George Soros does not have and has never had any ownership stake in Smartmatic. If anyone would care to read up on the voting machine company here is the link:

www.smartmatic.com/case-studies/article/facts-about-smartmatic

It's not too early to be making plans for the American Numismatic Association's 2017 National Money Show in Orlando. The convention takes place March 9-11 in West Hall E of the Orange County Convention Center at 9400 Universal B

The WSJ reports, Venezuela's government, slammed by hyperinflation has finally thrown in the towel, and is planning to issue new bills in December with larger denominations—up to 200 times higher than the current biggest bill, according to people familiar with the plans. The move marks an implicit acknowledgment by the government that skyrocketing prices have slashed the value of the currency. Ah that's nothing, remember the Zimbabwe 100 trillion-dollar bill!



Friday's Trivia Answer: Researchers have found that swearing when in pain may release pain-killing endorphins. Sorry, Dear, I was just releasing endorphins.

Sincerely,

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Peter Thomas is a Senior Vice President at the Zaner Precious Metal Division, and he is considered one of the leading gold authorities in the world today. As a licensed floor broker, he was a filling broker in the silver pit when silver ran to \$55 an ounce. He currently manages a global cash desk which handles Refiners, Recyclers, Mining Operations and Coin & Bullion companies. He is constantly in demand for his insightful opinions drawn from his 35 years of metals trade to such news enterprises and magazines publishers as EconoTimes, Bloomberg News, WSJ, The Guardian, US News and World Review, Hard Assets, Kitco, and Modern Trader magazine. Contact him at [@Goldbug111](https://twitter.com/Goldbug111), [@MetalZaner](https://twitter.com/MetalZaner), (312) 277-0140 or pthomas@zaner.com.

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