

Mid-Week Market Report

October 26th, 2016



Okay let's get this election going, the suspense is killing me. Look for the possibility of many trading houses raising margins going into the election. Also tighten your hedges up as it will be a bumpy ride for the next six weeks, as I see it.

Random Gold Trivia: How deep would the lake be if you recovered all the gold in the Earth?

New CME Cash-Settled Precious Metal Futures: It's official, the CME is going forward with intermarket metals spreads. Beginning today, the CME Group will expand their precious metals products to include a cash-settled spread and ratio contract, offering a new way to manage your precious metals exposure. Previously, if you wanted to buy gold and sell silver as a ratio play you would have had to put in a buy order and sell order independently. Well now you can make that play as a single trade.

The CME now offers:

- A gold silver ratio contract
- A gold platinum ratio contract
- A platinum palladium ratio contract

Each trade will be cash settled, meaning no delivery is required. The contract will also offer a true intraday price and spread transparency across the futures markets. contracts.

Hedge Funds Slash Bullish Bets/Mining.com: There are also signs that hedge funds active on the derivatives market have lost confidence in gold's ability to claw back losses suffered since mid-July, when the metal touched an intra-day two-year high near \$1,380 an ounce. Bullish bets placed by hedgefunds or so-called managed money on gold futures and options, are down by just over 50% from the July high and below the net position reached in May, when gold came close to falling through the \$1,200 an ounce level. According to the CFTC's weekly Commitment of Traders data up to October 18 released on Friday, speculators added to short positions – bets that gold could be bought cheaper in future – and cut longs pushing bullish bets down to a net 13.7 million, the lowest since the beginning of March. During the previous two weeks speculators dumped more than 10 million ounces long gold, the most rapid reduction since 2006, when government first started to collect the data.

October Comex Gold "Deliveries"/Craig Hemke: The first six months of 2015, the amount of Comex gold "deliveries" totaled 4,149 for 414,900 ounces or about 13 metric tonnes. Through May of 2016, total Comex gold "deliveries" were 9,683 for 968,300 or about 30 metric tonnes. As you can quickly do the math, this is over a 2X increase and certainly noteworthy on its own merit. However, beginning with the "delivery month" of June, Comex gold "deliveries" began to explode at a startling pace. Check the charts above again and note the totals over the past four months. For the period June-September 2015, total Comex gold "deliveries" were 8,832 for 883,200 ounces or about 27.5 metric tonnes. For the same period this year, total Comex gold "deliveries" totaled 39,646 for 3,964,600 ounces or about 123.5 MT. This is about 4.5X times the 2015 amount. And now look at what has happened during October...a month which is historically the lightest "delivery month" on the Comex calendar. Again, referring to the charts above you can see that the total number of Oct15 "deliveries" was 950 for 95,000 ounces or slightly less than 3 metric tonnes. Through yesterday, October 24, the Oct16 "delivery" total is a whopping 9,163 for 916,300 ounces or about 28.5 metric tonnes. This is over a 9X increase versus the same month last year!

Kitco News Tuesday: -The gold market is holding on to its gains as U.S. consumers feel less optimistic on the health of the economy. Tuesday, the U.S. Conference Board said its Consumer Confidence Index dropped a reading of 98.6 in October, up from September's revised level of 103.5. Economists were expecting to see a small drop in optimism with consensus forecasts calling for a reading of 101.5.

Bloomberg: Further weakness in China's currency and investors' concerns over the outlook for the nation's property market may spur gold demand in Asia's top economy, according to Goldman Sachs Group Inc., which made the forecast as the offshore Yuan sank to a record. "The potential drivers of increased Chinese physical buying include purchasing gold as a way to hedge for potential currency depreciation in the face of capital controls," analysts including Jeffrey Currie and Max Layton, wrote in a report dated Oct. 24. Bullion consumption in China may also rise "as a way of diversifying away from the property market," they said.

Pete's Corner

Interesting tidbit on the voting machines in sixteen states from ZeroHedge

A U.K. based company that has provided voting machines for 16 states, including important battleground states like Florida and Arizona, has direct ties with billionaire Clinton crusader, George Soros. With recent WikiLeaks emails showing that Hillary Clinton received foreign policy directives and coordinated on domestic policy with Soros, along with receiving tens of millions of dollars in presidential campaign support from the billionaire, concerns are growing that these shadowy players may pull the strings behind the curtains of the upcoming presidential election. As Lifestette reports, the fact that the man in control of voting machines in 16 states is tied directly to the man who has given millions of dollars to the Clinton campaign and various progressive and globalist causes will surely leave a bad taste in the mouth of many a voter. The balloting equipment tied to Soros is coming from the U.K. based Smartmatic company, whose chairman Mark Malloch-Brown is a former UN official and sits on the board of Soros' Open Society Foundation. According to Lifestette, Malloch-Brown was part of the Soros Advisory Committee on Bosnia and also is a member of the executive committee of the International Crisis Group, an organization he co-founded in the 1990s and built with funds from George Soros' personal fortune.

Let's hope nothing is found to be wrong with the machines as we really don't need this right now...

Shanghai/Reuters: China's Yuan touched a six-year low against the dollar before partially recovering on Monday but then started down again mid-week as large state-owned banks sold dollars in an apparent effort to slow a rapid decline in the currency, traders said. Three traders said big state-owned banks were selling dollars in the domestic foreign exchange market to help stabilize the Yuan in morning trade. I have seen no evidence that gold is being sold but if anyone sees anything, put me in the loop.

On September 12, 1962, President Kennedy delivered his speech before a crowd of 35,000 people in the Rice football stadium. This most memorable and quoted portion of the speech:

We set sail on this new sea because there is new knowledge to be gained, and new rights to be won, and they must be won and used for the progress of all people. For space science, like nuclear science and all technology, has no conscience of its own. Whether it will become a force for good or ill depends on man, and only if the United States occupies a position of pre-eminence can we help decide whether this new ocean will be a sea of peace or a new terrifying theater of

war. I do not say that we should or will go unprotected against the hostile misuse of space any more than we go unprotected against the hostile use of land or sea, but I do say that space can be explored and mastered without feeding the fires of war, without repeating the mistakes that man has made in extending his writ around this globe of ours.

Venezuela: No surprise here, the election was "postponed". People are being found dead in the streets from starvation. The animals in the zoo have been eaten. How long can the government stand until the people revolt?

Trivia Answer: If you somehow found a way to extract all of the gold all the way down the bubbling core of our planet, you would be able to cover all of the land in a layer of gold up to your knees.

Sincerely,

Peter Thomas

SVP - Precious Metals

Direct: 312-277-0140

Toll-Free: 800-621-1414

pthomas@zaner.com

Twitter: @metalZaner

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, @MetalZaner, (312) 277-0140 or pthomas@zaner.com.

Trading in the Futures and/or OTC market involves substantial risk of loss and is not suitable for all people