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SPECIAL REPORT

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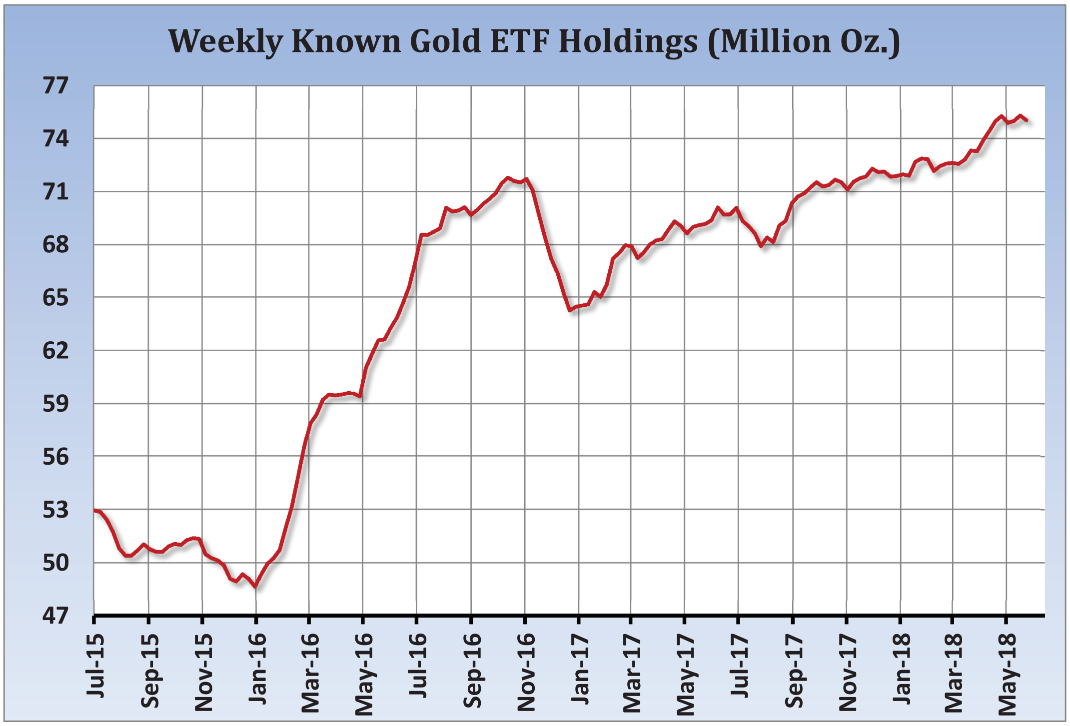
May 30, 2018

Metals Market Update

An Intermediate Low for Gold



It appears that the April-May correction in the gold market has run its course and that value has been found. Gold has rejected the $1,280 level in nearby prices and has stood up to the late-May upside extension in the dollar, which indicates that market has come to grips with at least one key negative factor. We would also suggest that the fear that the Fed could make as many as five rate hikes this year has all but disappeared, which should take some of the "bid" out of the dollar and lessen speculative selling in gold and silver.

We also think that gold has already factored-in the evidence of soft demand from the World Gold Council's first quarter 2018 report. The WGC demand figures may have added to the liquidation in the second quarter, but total gold derivative holdings have continued to edge higher and have come close to their highest levels since June 2013.

Gold could be poised to shift back to a physical demand-driven market and away from being primarily dependent on safe-haven demand. The threat of rate hikes by the US Fed and other key central banks has eased, which should defuse the dollar rally and pro-

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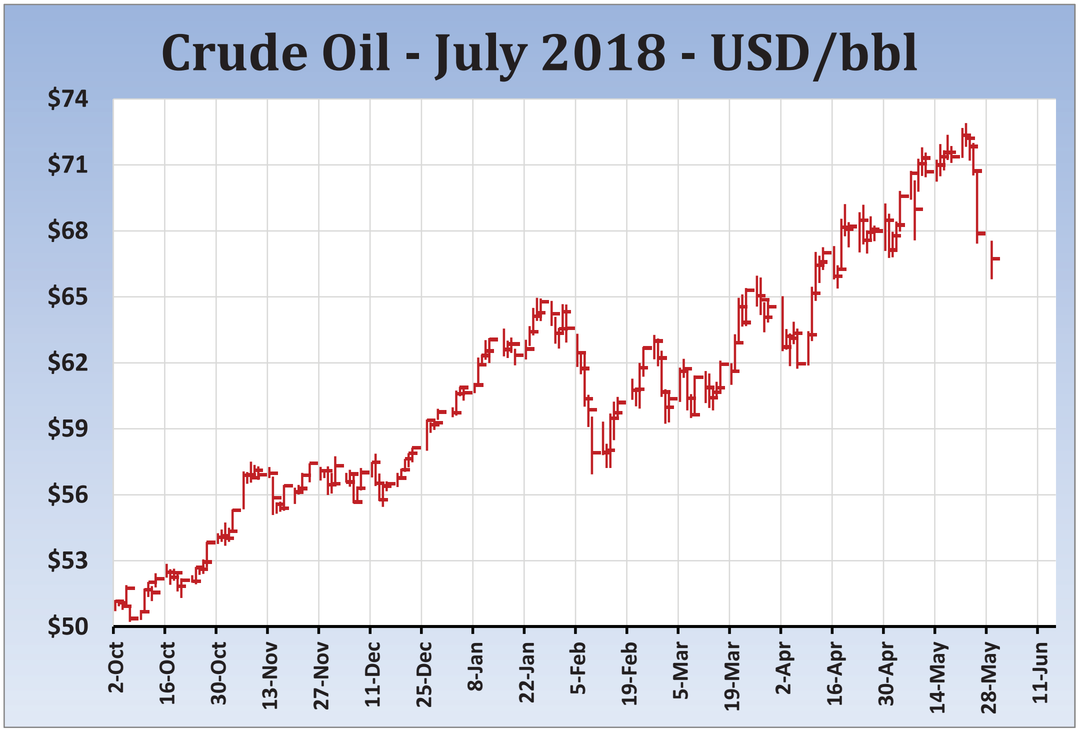
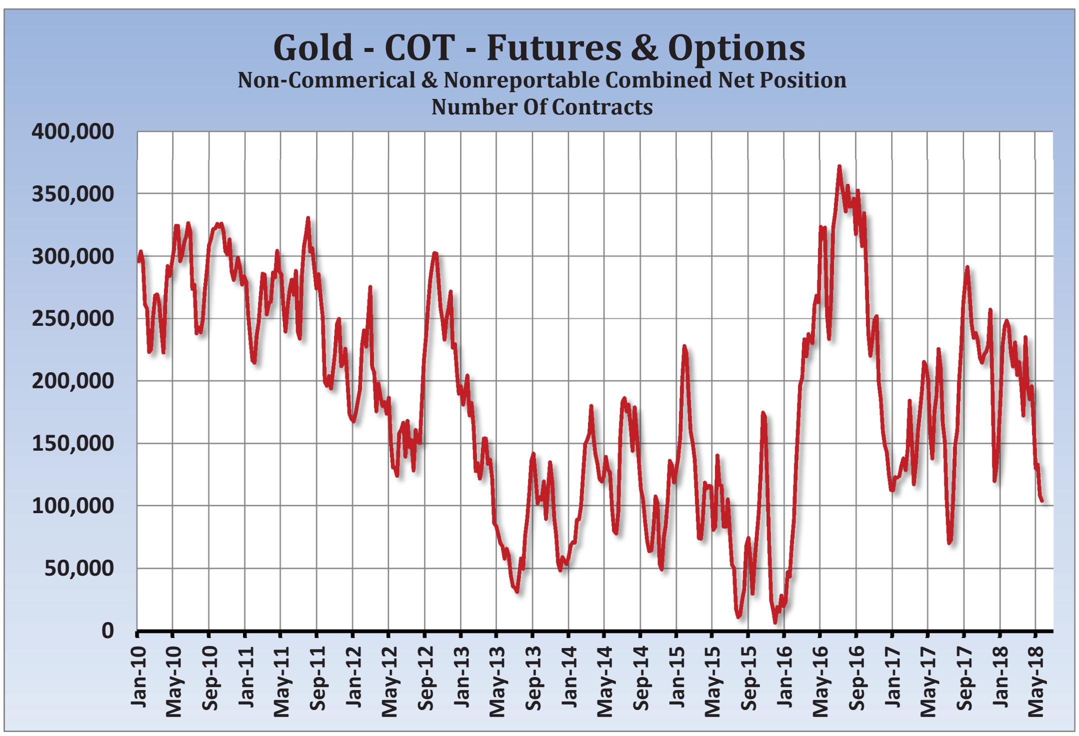
vide a positive physical demand environment for gold and other commodities. And while energy prices appear to be in a corrective posture, we believe it is only temporary. The fact that nearby crude oil prices climbed above $72.50 prior to the correction offers a rising tide for gold, silver, platinum and palladium into the summer months.

The gold market has reduced its spec and fund net long positioning significantly, which leaves it less vulnerable to heavy stop-loss selling. A recent Commitments of Traders report showed that as of May 22nd, non-commercial and non-reportable traders combined had reduced their net long to 103,927 contracts, down from recent peaks above 225,000. This suggests that the market could quickly become washed out with only a moderate decline in prices. This lowers the prospect of concentrated stop-loss selling and increases the chances of the market putting in a key low. Trading volume was very light at the May lows and increased during the May 21-25 rally, which is a sign that bargain hunters bought the recent dip. On May 29th, volume reached its highest level since November 2016!





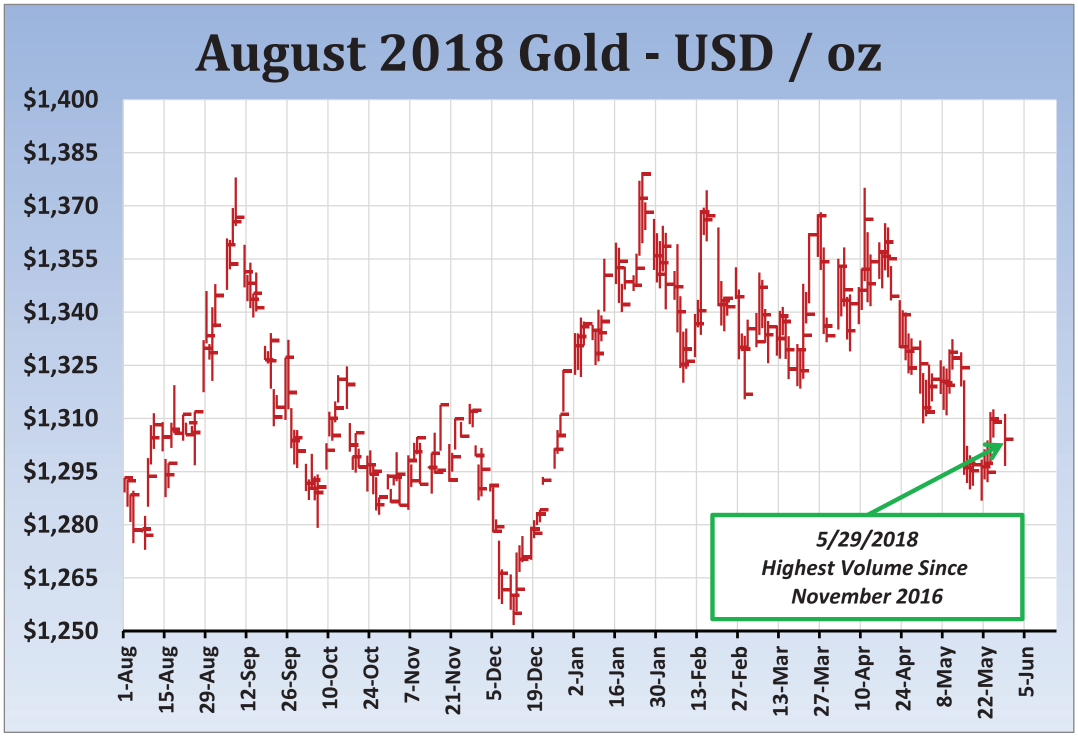
Short Term Trade Ideas

1) Look to BUY spike down moves to $1,289 in August Gold. Use an objective of $1,324.90, and risk the trade to $1,283.90, the bottom of the December gap.

2) BUY July Silver at $16.15. Use an objective of $16.85 and risk the position to $15.98.

Long Term Trade Idea

BUY December Gold on a spike below the 2018 lows at $1,285. Use an objective of $1,374 and risk the position to $1,274.



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