



DAILY METALS COMMENTARY

Friday August 26, 2022

PRECIOUS METALS COMMENTARY

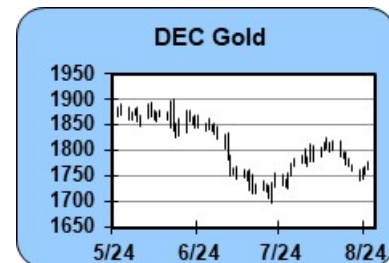
8/26/2022

Look for a relief rally extension to get short gold and silver

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

GOLD -6.90, SILVER +0.00, PLATINUM -0.25

OUTSIDE MARKET DEVELOPMENTS: Global equity markets overnight were mostly higher but gains overnight were all less than 1%. Critical economic news released overnight included a much stronger than expected New Zealand Roy Morgan consumer confidence reading for August, a much hotter than expected Tokyo consumer price index reading for August, a much weaker than expected German GfK consumer confidence survey for September, a surprising uptick in French consumer confidence in August, slightly softer than expected Italian business confidence in August, a much stronger than expected Italian consumer confidence reading for August and a smaller than expected expansion in euro zone private loans relative to year ago levels. The North American session will start out with July personal income which is expected to hold steady with June's 0.6% reading. July personal spending is forecast to have a moderate downtick from June's 1.1% reading. The July goods trade balance is expected to show a modest downtick from June's \$98.2 billion monthly deficit. July wholesale inventories are forecast to have a moderate downtick from June's 1.9% reading. A private survey on August consumer sentiment is expected to have a modest uptick from the previous 55.1 reading. The highlight for global markets will come during mid-morning US trading hours as Fed Chair Powell will speak at the Kansas City Fed's Jackson Hole Economic Symposium.



GOLD / SILVER

Seeing gold and silver prices start out weaker today is not surprising given the "feared" Federal Reserve chairman speech later this morning at the Jackson Hole symposium. In fact, most markets have already factored in some form of aggressive hawkish statements from the Chairman with action earlier this week! On the other hand, US scheduled data this morning could preempt the reaction to the Fed speech, with the Fed's favored inflation gauge PCE, scheduled for release early today. Furthermore, the markets will be presented with personal income and spending readings both of which are expected to show strength. In other words, a soft PCE reading could mitigate the impact of hawkish policy views, while a hotter than expected reading could magnify hawkish Fed dialogue today. Unfortunately for the bull camp gold ETF holdings yesterday declined by 19,443 ounces and are now only 2.4% higher year-to-date. Silver ETF holdings managed a small inflow of 18,070 ounces and are 12% lower on the year. In retrospect, the recovery this week in gold and silver prices has gained some credibility with the markets ability to sustain gains over several trading sessions. Obviously, the gold and silver markets remain hypersensitive to the ebb and flow of dollar price action and likely will remain vulnerable to any further gains in US treasury yields. Therefore, action in gold and silver will continue to take significant direction from big picture/macroeconomic developments with little regard for classic internal physical supply and demand issues. However, an increase in mainland Chinese gold imports from Hong Kong provides a very small measure of fundamental support going forward. In today's action, the edge should sit with the bear camp as the US Federal Reserve chairman is unlikely to allow inflation expectations to go unchecked with distinctly dovish statements. In conclusion, we suggest fresh short entry positions in October gold with a return to a 5-month-old downtrend channel resistance line at \$1,785.40. Similar downtrend channel line resistance in September silver today is \$20.23.

PLATINUM

In retrospect, news that the Chinese government is implementing policies to facilitate the acquisition of key

industrial material inputs probably served to lift palladium prices this week, but that supportive development has been countervailed overnight by a reduction in palladium price forecasts for December from UBS. Apparently, UBS predicts palladium to fall to \$1900 in December and to \$1700 by March. Given the magnitude of the bounce off this week's low (\$213) we suspect something other than short covering ahead of the Fed was present in the palladium trade yesterday. Perhaps fresh Chinese government plans to facilitate the import (and likely expansion of reserve levels) of key industrial materials to protect the interests of China could include Chinese sovereign buying of palladium and platinum. From a technical perspective, this week's recovery rally was forged on the largest weekly trading volume since early March but seeing open interest fall this week tempers the bullishness for the expansion of long trading interest. Yesterday palladium ETF holdings fell by 3,452-ounces and are now "16%" lower year-to-date! We see the top of the near-term range in palladium as \$2,220.50 with a key pivot point (post Fed statement) at \$2,102. About the most positive issues for platinum prices today is the market's ability to consolidate and post minimal higher lows this week. While insignificant platinum ETF holdings yesterday increased by 2,362 ounces, but those holdings remain 12% lower year-to-date. On the other hand, the significant jump in open interest last week, during the aggressive washout in prices suggest the market maintains a general bearish bias. Critical support today in October platinum is \$858.20.

TODAY'S MARKET IDEAS:

We see a major pivot/trend junction today in gold and silver. Certainly, gold and silver could extend this week's general upward bias from further relief buying if the Fed chairman is not overly hawkish as has been widely anticipated. However, we see recent strength in gold as a temporary rally in a bear market. In conclusion, we suggest fresh short entry positions in October gold with a return to a 5-month-old downtrend channel resistance line pricing at \$1,785.40. Similar downtrend channel resistance in September silver today is \$20.23.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

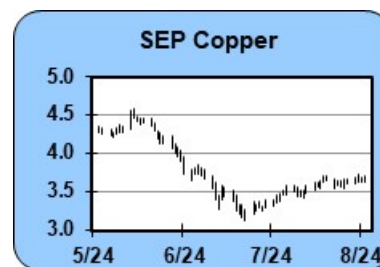
None.

COPPER COMMENTARY

8/26/2022

The bias is up but expect wide morning gyrations

GENERAL: Clearly, the latest round of announced Chinese stimulus has boosted Chinese copper demand hopes and in turn has prompted the highest trade in September copper since June 30th. The rally this morning might be garnering additional buying interest from reports of liquidity problems at one of the largest Chinese copper trading companies. However, a noted 3,693-ton inflow to Shanghai copper warehouse stocks tempers an extremely tight Chinese domestic supply condition. However, expectations for massive expansion of the Chinese electricity grid were given more clarity with the latest Chinese stimulus plan, which in turn sparked predictions of a massive expansion of Chinese copper demand over the coming years. Along those lines the Chinese General Administration of Customs reported an increase of 8.8% in copper anode imports in July relative to year ago levels with January through July cumulative imports of the refined product posted an increase of 25.9%! In fact, copper demand expectations were also boosted yesterday by economic analysis suggesting that the push toward renewable energy in China could result in Chinese demand growing by 3 million metric tonnes by 2025. From the bearish side of the supply equation Oz Materials LTD. overnight announced plans to double production from 135,000 tons to 340,000 tons in what they term is their "next growth phase".



MARKET IDEAS:

Obviously, the path of least resistance is pointing up in copper from both technical and fundamental perspectives this morning. In fact, the upside breakout has September copper near 2-month highs which in turn could prompt further short covering buying from a rather large net spec and fund short position. Uptrend channel line support in

September copper today is \$3.6170 with closer in support pegged at \$3.6329. Initial resistance is \$3.7615. While we see the trend pointing up in copper, financial market/macroeconomic influences early today could result in a temporary flare in volatility.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

METALS TECHNICAL OUTLOOK:

Note: Data is collected using the closing values of the previous session and calculations and analysis are run at the same time. Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report. Data sources can and do produce bad ticks that can cause computation errors. Please verify before use.

COMEX GOLD (DEC) 08/26/2022: The cross over and close above the 40-day moving average is an indication the longer-term trend has turned positive. Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. A positive setup occurred with the close over the 1st swing resistance. The next downside target is now at 1755.1. The next area of resistance is around 1778.7 and 1786.6, while 1st support hits today at 1762.9 and below there at 1755.1.

COMEX SILVER (SEP) 08/26/2022: Daily stochastics are trending lower but have declined into oversold territory. The market's short-term trend is negative as the close remains below the 9-day moving average. A positive setup occurred with the close over the 1st swing resistance. The next downside objective is 18.807. The next area of resistance is around 19.267 and 19.416, while 1st support hits today at 18.963 and below there at 18.807.

COMEX PLATINUM (OCT) 08/26/2022: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The close over the pivot swing is a somewhat positive setup. The next downside objective is 859.80. The next area of resistance is around 881.40 and 887.00, while 1st support hits today at 867.80 and below there at 859.80.

COMEX COPPER (SEP) 08/26/2022: The crossover up in the daily stochastics is a bullish signal. Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The close above the 9-day moving average is a positive short-term indicator for trend. A positive setup occurred with the close over the 1st swing resistance. The next upside objective is 3.76. The next area of resistance is around 3.73 and 3.76, while 1st support hits today at 3.66 and below there at 3.61.

DAILY TECHNICAL STATISTICS

	CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW STOCH D	14 DAY SLOW STOCH K	4 DAY M AVG	9 DAY M AVG	18 DAY M AVG	45 DAY M AVG	60 DAY M AVG
METALS COMPLEX										
GCEZ22	1770.8	47.20	47.06	32.21	29.08	1760.63	1771.23	1786.62	1777.54	1799.21
SIEU22	19.115	40.21	42.50	28.32	20.73	18.98	19.39	19.86	19.62	20.18
PLAV22	874.60	37.12	41.90	28.16	17.88	871.28	895.80	913.42	886.94	908.16
CPAU22	3.69	61.80	57.68	78.21	78.41	3.67	3.65	3.61	3.53	3.72
PAAU22	2139.80	54.67	53.97	38.56	36.06	2030.03	2093.88	2131.29	2028.95	1996.98

Calculations based on previous session. Data collected 08/25/2022

Data sources can & do produce bad ticks. Verify before use.

DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
METALS COMPLEX						
GCEZ22	COMEX Gold	1755.0	1762.9	1770.8	1778.7	1786.6
SIEU22	COMEX Silver	18.806	18.962	19.111	19.267	19.416
PLAV22	COMEX Platinum	859.80	867.80	873.40	881.40	887.00
CPAU22	COMEX Copper	3.60	3.65	3.68	3.73	3.76
PAAU22	COMEX Palladium	2015.52	2086.05	2123.02	2193.55	2230.52

Calculations based on previous session. Data collected 08/25/2022

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