



DAILY METALS COMMENTARY

Tuesday May 02, 2023

PRECIOUS METALS COMMENTARY

5/2/2023

The Bear camp retains control buyers need to be patient

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

GOLD -3.60, SILVER -0.03, PLATINUM -0.56

OUTSIDE MARKET DEVELOPMENTS: Global equity markets were lower overnight with declines as high as 0.86% in the Australian market. Critical economic news released overnight included a surprise contraction in the Japanese monetary base for April, a 25-basis point rate hike from the Reserve Bank of Australia, a month over month rebound in GBP Nationwide Housing Prices for April, a massive 2.4% decline in German March retail sales, further deterioration in a Swiss SECO Consumer Climate reading for the 2nd quarter, an as expected but softer than the prior month manufacturing PMI reading from Spain, a noted softening of a Swiss purchasing managers index for April, a much weaker than expected HCOB manufacturing PMI reading from Italy, better-than-expected HCOB manufacturing PMI from France, better than expected HCOB manufacturing PMI from Germany, better-than-expected overall Euro zone HCPB manufacturing PMI, much better-than-expected GBP Global/Services manufacturing PMI, a significant drop in the rate of Italian consumer price readings in April, and slightly softer euro zone core harmonized index of consumer prices. The North American session will start out with a private weekly survey of same-store sales followed by the March job openings and labor turnover (JOLTS) survey which is forecast to have a moderate downtick from February's 9.931 million reading. March factory orders are expected to have a moderate uptick from February's -0.7% reading. April vehicle sales are forecast to hold steady with March's 14.8 million annualized rate. Earnings announcements will include Pfizer, Illinois Tool Works, Uber Technologies, Cheniere Energy and Dupont before the Wall Street opening while AMD, Starbucks, and Ford Motors reports after the close.



GOLD / SILVER

While the gold market is showing very little direction this morning and is also exhibiting very little in the way of volatility that is likely to change within the next 36 hours with the Fed decision tomorrow likely to set a near term trend for prices. However, we think the silver market will diverge with gold with classic physical commodity market fundamentals driving silver prices. Unfortunately for the bull camp in gold, the dollar index appears to be poised to breakout to the upside of a 3-week sideways consolidation pattern today perhaps because of signs of negotiating in Washington to avoid a government shutdown. On the other hand, the US Treasury Department surprised the trade with news that the US could default earlier than expected on June 1st without a debt ceiling hike. Obviously, both gold and silver see some pressure from the Australian interest rate hike overnight and from chatter overnight that factory activity in the euro zone weakened and rekindled recession chatter. Yesterday gold ETF holdings rose by a scant 6,300 ounces while silver ETF holdings fell by a consequential 919,524 ounces. Even though the trade is largely anticipating the US Fed to raise rates Wednesday afternoon, anticipation of that action is likely to lift the dollar today off a buy the rumor argument. A minimally supportive development overnight came from somewhat muted inflation readings from Europe. In the end, once the Fed raises interest rates, the bull camp in gold and silver will have to show they can regain control or corrective action could become quite aggressive with gold potentially falling to \$1,950 over the coming week and silver prices potentially sliding down to \$24.73.

PLATINUM

With a major range down move yesterday and a lower low forged again this morning, the technical path of least resistance in platinum is clearly pointing downward. Unfortunately for the bull camp the daily change in platinum ETF holdings yesterday was of no benefit with a minuscule decline of 649 ounces, leaving the year-to-date gain at

6.7%. Fundamentally, the market environment this morning has seen recessionary fears rekindled by soft European PMI readings and inverted yield curve chatter. With the huge range down washout in July platinum yesterday, the near-term target becomes \$1,050.10 and perhaps \$1,046.10. While we think platinum can regain the losses in the coming days after fear of the Fed dissipates, strength in the dollar and spillover weakness from gold and silver could result in a big spike down finish to the current washout in the coming 36-hours. While the palladium market has managed to respect yesterday's spike low early today, the close yesterday below the 50-day moving average and with the trade remaining below that 50-day moving average of \$1458.70 overnight, a return to \$1400 is likely. The most fortunate factor for bulls in palladium is the markets oversold status from the 2nd half of April slide and the markets relative proximity to the bottom of an extended consolidation zone.

TODAY'S MARKET IDEAS:

The bear camp retains the edge today as the rumor of a US Fed hike remains in place and the dollar looks to win by default today following soft European manufacturing PMI readings overnight. Fortunately for the bull camp, a US rate hike is widely anticipated with the Fed funds futures markets indicating a 90% chance of a hike tomorrow. We give the edge to the bear camp in gold and silver but think sharp losses in the coming 36 hours will bring about the opportunity to buy gold and silver at strong value pricing.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

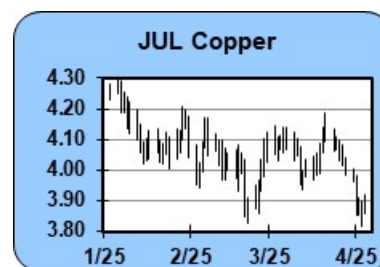
Long 2 May Gold \$2,000 puts for \$13.00. Long June gold futures at \$2,023. Hit objective of \$19.00 on both May gold puts Friday providing a cushion for the long futures of \$12.00. Short a June gold \$2,000 call at 33.00 and long a June gold \$1,970 put for 31.00. Use an objective on the temporary option protection of \$20.00 in the short June \$2,000 call and use an objective of \$41.00 in the long June \$1,970 put.

COPPER COMMENTARY

5/2/2023

Non-Chinese macro influences to prompt temporary corrective action

GENERAL: In retrospect, the rally yesterday in copper was surprising given slightly disappointing economic sentiment flowing from China. The copper market will probably see residual support from a bullish Goldman price forecast with the bank predicting prices capable of forging a 25% upside surge in the coming 12 months! In fact, Goldman thinks copper will see improved demand through the prime Chinese building season which peaks in June. Goldman also suggested the setback in global copper mine production last year has left the copper market very sensitive to incremental demand improvement from China. However, in the background daily LME copper stocks have been marching consistently higher and could signal softening demand for copper outside of China. It should be noted that a Bloomberg article overnight warned of the potential for a short squeeze citing a large short position building in leveraged accounts. With the last COT positioning report in copper showing a net spec and fund short of 10,003 contracts, the prospect of short squeeze is not to be dismissed.



MARKET IDEAS:

While we give the edge to the bull camp from the recent pattern of higher lows and higher highs, we see more risk than reward in being long July copper above the \$4.00 level in the coming sessions. The next ultra-important Chinese specific scheduled data will be the Caixin manufacturing PMI reading early Thursday morning US time while the next report on Chinese copper imports will be released one week from today. In the end, the short-term technical bias is up but we suspect copper will see a temporary retest of the April low down at \$3.8165 in the coming sessions.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Long July copper \$4.05/\$4.20 bull call spread at 0.037.

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 (JUN) 05/02/2023: Daily stochastics are trending lower but have declined into oversold territory. The close below the 9-day moving average is a negative short-term indicator for trend. The market could take on a defensive posture with the daily closing price reversal down. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is now at 1965.6. The next area of resistance is around 2004.7 and 2024.9, while 1st support hits today at 1975.1 and below there at 1965.6.

COMEX SILVER (JUL) 05/02/2023: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market has a slightly positive tilt with the close over the swing pivot. The next downside target is now at 24.622. The next area of resistance is around 25.972 and 26.711, while 1st support hits today at 24.928 and below there at 24.622.

COMEX PLATINUM (JUL) 05/02/2023: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The outside day down is a negative signal. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is 1032.73. The next area of resistance is around 1086.14 and 1115.72, while 1st support hits today at 1044.65 and below there at 1032.73.

COMEX COPPER (JUL) 05/02/2023: The crossover up in the daily stochastics is a bullish signal. The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market setup is supportive for early gains with the close over the 1st swing resistance. The next upside objective is 4.07. The next area of resistance is around 4.00 and 4.07, while 1st support hits today at 3.88 and below there at 3.81.

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										
GCEM23	1989.9	43.29	48.71	29.00	21.13	1996.28	2001.17	2012.44	1966.28	1943.54
SIEN23	25.450	54.26	58.45	42.44	33.87	25.40	25.53	25.62	23.78	23.44
PLAN23	1065.40	47.07	52.50	69.97	59.55	1088.53	1100.22	1068.78	1015.87	1001.13
CPAN23	3.93	43.42	43.81	22.67	22.90	3.89	3.94	4.00	4.02	4.04
PAAM23	1446.80	39.85	44.27	47.69	33.33	1489.38	1531.97	1509.88	1459.22	1479.16

Calculations based on previous session. Data collected 05/01/2023

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						
GCEM23	COMEX Gold	1965.5	1975.0	1995.2	2004.7	2024.9
SIEN23	COMEX Silver	24.621	24.927	25.666	25.972	26.711
PLAN23	COMEX Platinum	1032.72	1044.64	1074.22	1086.14	1115.72

CPAN23	COMEX Copper	3.80	3.87	3.93	4.00	4.07
PAAM23	COMEX Palladium	1394.15	1412.30	1463.15	1481.30	1532.15

Calculations based on previous session. Data collected 05/01/2023

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