



DAILY METALS COMMENTARY

Wednesday May 03, 2023

PRECIOUS METALS COMMENTARY

5/3/2023

We are suspicious gold will maintain gains today into Friday

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

GOLD +1.30, SILVER +0.00, PLATINUM -0.25

OUTSIDE MARKET DEVELOPMENTS: Global equity markets overnight were mostly higher with some market closures because of holidays. Critical economic news released overnight included a stronger than expected New Zealand employment change for the first quarter, slightly softer than expected New Zealand labor cost index readings, lower than expected but matching the previous month New Zealand unemployment rate, a noted contraction in Australian AIG construction PMI readings for March, softer than expected Australian AIG industry index readings for March, much softer than expected AIG manufacturing PMI readings from Australia for March, a downtick in Italian unemployment rate readings for March, and a downtick in overall Euro zone unemployment rate readings for March. The North American session will start out with a weekly private survey of mortgage applications followed by the April ADP employment survey which is expected to have a minimal uptick from March's 145,000 reading. The April ISM services index is forecast to have a modest uptick from March's 51.2 reading. The highlight for global markets will come during early afternoon US trading hours with the results of the latest Federal Market Open Committee meeting. While the Fed is widely expected to hike rates by 25 basis points, it is likely that their post-meeting statement and comments by Fed Chair Powell will signal a "pause" in their rate hike trajectory. Earnings announcements are expected from CVS Health, Estee Lauder, Kraft Heinz, Emerson Electric and Phillips 66 before the Wall Street opening while QUALCOMM and Public Storage report after the close.



GOLD / SILVER

With the dollar forging a 3-day low early today the gold trade looks to have a modest cushion against the prospects of selling from official confirmation of a US rate hike later today. At times yesterday gold and silver prices diverged, with gold remaining consistently in favor in a possible sign of entrenched flight to quality interest from both economic and political uncertainty. In fact, news that Iran has seized an oil tanker in the Straits of Hormuz adds an additional measure of political uncertainty to the gold trade today. Gold and to a lesser degree silver might have seen pressure yesterday from news of a scheduled meeting between the White House and top legislators net Tuesday, but with the President indicating he will not negotiate a debt ceiling in the meeting, flight to quality uncertainty from the budget situation should remain in place. With both the gold and silver charts shifting positively with yesterday's sharp range up moves, the gold trade seems to be capable of looking beyond the negatives of a 25-basis point rate hike this afternoon to the prospects of an on-hold Fed. While anxieties from two days of significant declines in US regional bank shares seemingly mitigated by higher global equity market action overnight, the fear of further bank failures is tamped down but not forgotten. On the other hand, the fear of recession in the US remains front and center which gives added importance to today's ADP employment change and to the ISM services employment index reading for April. While there will be a veritable avalanche of US jobs sector data points until the end of the week nonfarm payroll report, seeing the lowest US job opening reading since July 2021 yesterday and expectations of the lowest nonfarm payroll reading since January 2021 on Friday ratchets up uncertainty which in turn fosters flight to quality buying interest for gold and silver. However, without signs of long interest spreading outside of futures markets from consistent gains in gold and silver shares and/or from consistent inflows to ETF instruments the rate of climb in gold prices might be subdued. Yesterday gold ETF holdings increased by 100,753 ounces, while silver ETF holdings increased by 344,762 ounces.

PLATINUM

While we are hesitant to suggest the \$1050 level has become a form of strong value, the market has extended the recovery bounce early today and platinum ETF holdings posted another modest gain of 1005 ounces yesterday pushing the year-to-date gain back up to 6.8%. Clearly, the platinum market initially rejected and or discounted a 10% decline in 3rd quarter platinum production from South African mining company Impala, but that news should rekindle prospects of a world deficit and potentially rekindle the February through early April rally. Not surprisingly, the loss of refined output from the South African company was the result of sustained and worsening power outages. Impala saw its quarterly production at only 662,000 ounces versus 735,000 ounces in the same quarter last year. Therefore, it is not surprising that the company has downgraded its full year production projections. It should be noted that another major South African producer recently reported a significant decline in its output in April because of similar power related issues. However, in the near-term, fear of slumping demand could overshadow expectations of incremental losses of production. In the end support at \$1,050 in the July platinum contract has been given credence, but today's reaction to the Fed decision should be seen as a test of bullish resolve. Logically, noted weakness in platinum prices yesterday served to drag palladium prices lower with both markets moving to factor in deteriorating industrial demand prospects. However, palladium has continued lower this morning in a sign it remains ultra-sensitive to the threat of softer physical global demand. On the other hand, palladium ETF holdings yesterday jumped 1.5% with an inflow of 7,207 ounces bringing the year-to-date gain up to 7.8%! In conclusion, bearishness toward palladium futures remains in place while bullishness continues to surface from investors!

TODAY'S MARKET IDEAS:

While the fear of additional US regional bank failures has subsided this morning, economic uncertainty remains in place providing support to gold and leaving the silver trade somewhat off balance. However, both gold and silver yesterday showed signs of traversing the likely negative impact of a US rate hike today with trade sentiment thinking the US rate hike cycle will come to an end today. The bull camp should also be assisted today by weakness in the dollar and by increased US economic uncertainty if one or both of today's US jobs related data points adds to yesterday's sign that the US labor market is cooling. However, seeing the US economy slow and some economists warning of stagflation, could be a double-edged sword for the bull camp in gold. Unfortunately for the bull camp critical pivot point support in June gold at \$2015.40 is likely to be violated in the aftermath of the Fed announcement but a quasi-triple low down around \$1985.70 could be a fresh long entry point for aggressive traders over the coming 24 hours.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

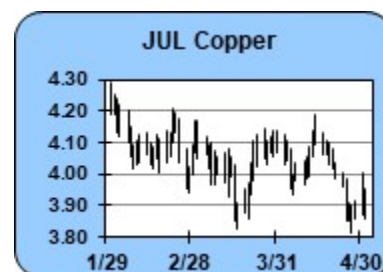
Long 2 May Gold \$2,000 puts for \$13.00. Long June gold futures at \$2,023. *Use an objective on the long June gold futures position of \$2,043. Hit objective of \$19.00 on both May gold puts Friday providing a cushion for the long futures of \$12.00. Short a June gold \$2,000 call at 33.00 and long 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

5/3/2023

The bear camp is in control again today

GENERAL: In retrospect, economic news flow from China has been disappointing, economic signals from the US and Europe have been concerning and the Fed is likely to add to the bear case in copper today with another widely anticipated rate hike. It should also be noted that daily LME copper warehouse stocks posted a 9th straight daily build today, they are up 11 of the past 12 sessions and are at the highest levels in nearly 30 days. However, the world's largest copper producing company yesterday showed a decline in first quarter profits of 73%, with that contraction largely the result of a 10.4% decline in production from year ago levels. In a potential long-term supportive development, the company (Codelco) indicated its production costs increased by 34% to roughly \$204 per pound and that could discourage future production if prices continue to slide back toward the levels seen last summer and fall. While fear of a slowing global economy has returned to a front and center



position this week that vibe is somewhat moderated this morning by better global equity market action. Unfortunately, big picture macroeconomic forces are likely to remain bearish today with a widely anticipated US interest rate hike discouraging commodity buyers. With ongoing holidays in Asia (Golden week) and a pattern of noted daily inflows to LME copper warehouses, the bear camp should be confident from a demand perspective.

MARKET IDEAS:

The path of least resistance is down with outside market pressure only partially offset by news of a sharp decline in copper production from the world's largest copper producing company. While not a significant development yet, LME copper warehouse stocks continue to rise slowly, repairing the extreme tightness from 17 1/2 year lows last month. Even though the bear camp has the upper hand coming into this morning's action, we think the July copper contract will be able to regain the \$3.80 level, after prices fall below that level following US Fed action.

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) 05/03/2023: A bullish signal was given with an upside crossover of the daily stochastics. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The near-term upside target is at 2058.9. The next area of resistance is around 2047.1 and 2058.9, while 1st support hits today at 2005.3 and below there at 1975.2.

COMEX SILVER (JUL) 05/03/2023: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. The daily closing price reversal up on the daily chart is somewhat positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is now at 24.773. The next area of resistance is around 26.334 and 26.612, while 1st support hits today at 25.415 and below there at 24.773.

COMEX PLATINUM (JUL) 05/03/2023: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. The daily closing price reversal up on the daily chart is somewhat positive. The market has a slightly positive tilt with the close over the swing pivot. The next downside target is 1043.85. The next area of resistance is around 1088.99 and 1097.84, while 1st support hits today at 1062.00 and below there at 1043.85.

COMEX COPPER (JUL) 05/03/2023: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 3.80. The next area of resistance is around 3.91 and 3.98, while 1st support hits today at 3.83 and below there at 3.80.

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	2026.2	59.70	57.83	30.34	32.64	2003.48	2003.41	2011.91	1970.43	1945.76
SIEN23	25.875	63.35	63.27	41.41	39.41	25.54	25.53	25.64	23.89	23.49
PLAN23	1075.50	52.26	55.50	64.92	54.83	1081.58	1097.17	1072.72	1018.76	1002.64
CPAN23	3.86	34.19	37.87	21.53	19.57	3.89	3.92	3.99	4.02	4.03
PAAM23	1421.00	36.59	41.87	39.43	22.91	1467.53	1509.99	1509.64	1459.06	1475.53

Calculations based on previous session. Data collected 05/02/2023

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	1975.1	2005.2	2017.0	2047.1	2058.9
SIEN23	COMEX Silver	24.772	25.415	25.692	26.334	26.612
PLAN23	COMEX Platinum	1043.84	1061.99	1070.84	1088.99	1097.84
CPAN23	COMEX Copper	3.79	3.82	3.88	3.91	3.98
PAAM23	COMEX Palladium	1396.62	1405.75	1427.12	1436.25	1457.62

Calculations based on previous session. Data collected 05/02/2023

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