



## DAILY METALS COMMENTARY

Thursday May 04, 2023

### PRECIOUS METALS COMMENTARY

5/4/2023

**A potential intermediate top with corrective action ahead**

**OVERNIGHT CHANGES THROUGH 3:16 AM (CT):**

**GOLD +4.80, SILVER +0.01, PLATINUM -0.63**

**OUTSIDE MARKET DEVELOPMENTS:** Globally markets overnight were weaker with declines less than 0.69%. The markets are on edge following renewed concerns about the bank sector with PacWest Bancorp shares plunging yesterday prompting the company to search for potential suitors and investors. Critical economic news released overnight included a softer than expected Chinese Caixin Manufacturing PMI reading for April, softer German import, and export readings for March, a larger than expected unemployment decline in Spain, softer than expected services PMI readings from Spain and France, softer than expected euro zone composite and services PMI readings for April. However, better than expected GBP composite and services PMI readings for April served to offset some of the economic slowing fears from the avalanche of data overnight. The North American session will start out with the April Challenger job cuts survey followed by a weekly reading on initial jobless claims which are expected to have a moderate uptick from the previous 230,000 reading. Ongoing jobless claims are forecast to have a modest weekly increase from the previous 1.858 million reading. The March US international trade balance is expected to have a sizable downtick from February's \$70.5 billion monthly deficit. March Canadian international merchandise trade is forecast to have a modest downtick from February's monthly surplus. First quarter non-farm productivity is expected to have a moderate downtick from the fourth quarter's 1.7% reading while first quarter unit labor costs are forecast to have a moderate uptick from the fourth quarter's 3.2% reading. The April Canadian Ivey PMI is expected to have a moderate downtick from March's 58.2 reading. Earnings announcements will include Anheuser-Busch Inbev, ConocoPhillips, Zoetis, Intercontinental Exchange, and Moderna before the Wall Street opening while Apple, Booking Holdings and EOG Resources report after the close.



### GOLD / SILVER

In our opinion, the gold market has probably forged an intermediate top with a major blowoff range up reversal overnight. In other words, optimism about the potential for an end to the US rate hike cycle has been embraced and perhaps overdone. From a fundamental perspective, Indian gold prices posted a record high overnight and in the past Indians have been very price conscious which in turn could result in a near term demand void. However, the gold market should be supported by another inflow to gold ETF holdings of 24,688 ounces yesterday as that narrows the year-to-date decline in holdings to only 0.2%. Furthermore, the ECB is poised to raise interest rates for a 7th time in their rate hike cycle this morning, but unlike the US Fed yesterday, the ECB could raise by 50 basis points and suggest more hikes ahead which should catch gold and silver prices overdone. Despite assurances from both the US Fed and the ECB they are nearing the end of their rate hike cycle, both central banks are definitive in their views that inflation remains too high. Unfortunately for the bull camp in silver yesterday ETF holdings saw an outflow of 808,656 ounces cutting the year-to-date gain in holdings to a minuscule 0.2%. Another slightly negative overnight development came from a softer than expected Chinese manufacturing PMI reading which dampens gold demand hopes from the world's largest consumer. Unfortunately for the bull camp, the aggressive post Fed announcement rallies have dissipated quickly as if the markets fully priced moderating hawkish intentions from the Fed especially with the rallies early this week robust (\$100 in June gold and \$1.34 in July silver). Traders should expect more back and fill profit-taking weakness today.

### PLATINUM

While the July platinum contract overnight managed to respect the \$1050 for the 2nd time this week,

macroeconomic conditions are fostering ongoing demand concerns and some investors in platinum ETF holdings banked profits yesterday with an outflow of 1,346 ounces. However, going forward classic fundamental supply side support should add to the developing value zone at \$1,050 as South African Impala Platinum reported of a 10% decline in the 3rd quarter platinum production from severe power disruptions. Without a large capital infusion from the South African government and or major structural changes to the electricity system it is likely that power disruptions will extend and worsen! Therefore, near-term support is \$1,051 and the market is short-term technically oversold with the lowest RSI readings since late February. With a pattern of lower highs and lower lows the bias in the palladium market remains down. Surprisingly the trade is largely discounting palladium ETF growth this year of 8.6% with many traders indicating the rotation from industrial use of palladium to platinum is so far more than offsetting growing investment interest. Yesterday palladium ETF holdings increased by 3782 ounces. We see credible support at \$1,400 with the palladium market likely holding a record net spec and fund short with the slide of \$65 from the last positioning report.

#### **TODAY'S MARKET IDEAS:**

We see gold, silver, palladium, and platinum vulnerable to further losses especially with a noted reversal and fresh damage on the charts in this morning's action. However, if the US dollar continues to decline and upcoming US jobs related data is very concerning gold and silver could see selling muted by flight to quality interest.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

Long 2 May Gold \$2,000 puts for \$13.00. Long June gold futures from \$2,023. \*Hit objective on the long June gold futures position of \$2,043. Hit objective of \$19.00 on the May gold puts giving the remaining short June call position/long June put position a cushion of \$20 from the long futures and \$12.00 from the long May puts (\$32.00).

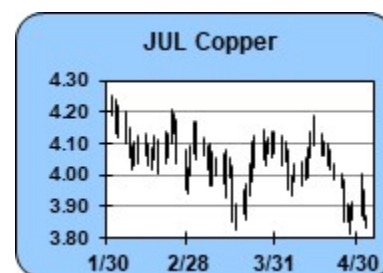
Remaining position, Short a June gold \$2,000 call at 33.00 and long a June gold \$1,970 put for 31.00.

## **COPPER COMMENTARY**

5/4/2023

### **The bear camp is in control again today**

**GENERAL:** With the July copper contract managing to reject a new low for the week in the wake of disappointing Chinese manufacturing PMI readings overnight and in the face of a 10th straight daily increase in LME copper warehouse stocks, the copper market might be near value zone pricing. However, background chatter on fresh US bank sector problems and expanding global recession dialogue leaves the potential of a sub \$3.80 trade in the offing. In fact, with aluminum, petroleum, natural gas, and copper prices falling sharply earlier this week, global slowing has become a front windshield theme again. As indicated in yesterday's trade, seeing a significant decline in Chilean copper production of 4.7% in March has been fully discounted with the trade anticipating demand losses to be even larger. In the end, the Chinese Caixin manufacturing PMI data for April erodes expectations of improving Chinese copper demand in the near term and increases the importance of upcoming Chinese monthly commodity import readings. However, from a technical perspective, the last COT positioning report showed copper already net spec and fund short 10,003 contracts and a decline below \$3.80 ahead could leave the copper market with the largest short since October.



#### **MARKET IDEAS:**

Even though July copper has managed to reject a new low for the week early on, copper demand fears should control sentiment despite Chilean March copper production reportedly declining from February figures. Adding into the negative macroeconomic pressure on copper today are reports of slack Chinese import terminal demand for scrap copper. The market is also reportedly seeing very quiet conditions in the Chinese copper concentrate import space. In today's action, big picture macroeconomic psychology will likely leave the fundamental path of least resistance pointing down. The big picture macroeconomic psychology today will be largely determined by

the standing of the US jobs market from US initial claims which are a leading indicator for future industrial commodity demand. While we will not discount the potential for a spike below \$3.80, a slide below that level should represent value!

#### **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) 05/04/2023: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside objective is at 2064.4. The next area of resistance is around 2054.0 and 2064.4, while 1st support hits today at 2024.6 and below there at 2005.6.

COMEX SILVER (JUL) 05/04/2023: A bullish signal was given with an upside crossover of the daily stochastics. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's short-term trend is positive on the close above the 9-day moving average. The close over the pivot swing is a somewhat positive setup. The near-term upside target is at 26.425. The next area of resistance is around 26.230 and 26.425, while 1st support hits today at 25.710 and below there at 25.385.

COMEX PLATINUM (JUL) 05/04/2023: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The downside closing price reversal on the daily chart is somewhat negative. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is 1038.78. The next area of resistance is around 1076.94 and 1095.37, while 1st support hits today at 1048.65 and below there at 1038.78.

COMEX COPPER (JUL) 05/04/2023: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The close below the 9-day moving average is a negative short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The next downside target is now at 3.81. The next area of resistance is around 3.86 and 3.89, while 1st support hits today at 3.83 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
<b>METALS COMPLEX</b>										
GCEM23	2039.3	64.00	60.57	35.35	45.49	2013.95	2005.89	2012.76	1974.61	1948.12
SIEN23	25.970	64.64	64.00	42.44	44.51	25.65	25.54	25.66	23.98	23.54
PLAN23	1062.80	46.57	51.60	58.12	44.54	1074.10	1092.24	1075.30	1021.02	1004.02
CPAN23	3.84	31.70	36.12	19.26	15.11	3.88	3.90	3.98	4.01	4.03
PAAM23	1416.80	36.04	41.48	31.85	16.69	1448.63	1490.89	1507.11	1458.97	1472.45

Calculations based on previous session. Data collected 05/03/2023

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

## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>METALS COMPLEX</b>						
GCEM23	COMEX Gold	2005.6	2024.6	2035.0	2054.0	2064.4
SIEN23	COMEX Silver	25.385	25.710	25.905	26.230	26.425
PLAN23	COMEX Platinum	1038.77	1048.64	1067.07	1076.94	1095.37
CPAN23	COMEX Copper	3.80	3.82	3.84	3.86	3.89
PAAM23	COMEX Palladium	1383.15	1398.30	1420.15	1435.30	1457.15

**Calculations based on previous session. Data collected 05/03/2023**

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