



## DAILY METALS COMMENTARY

Friday May 05, 2023

### PRECIOUS METALS COMMENTARY

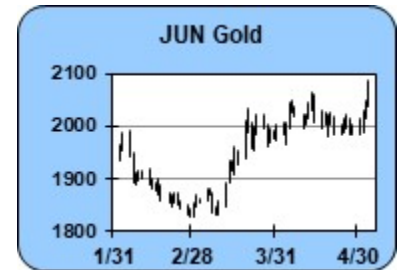
5/5/2023

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

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

**GOLD -7.60, SILVER +0.00, PLATINUM -0.48**

**OUTSIDE MARKET DEVELOPMENTS:** Global equity markets were higher overnight in action that was partially the result of strong Apple earnings and from a measure of corrective action following recent losses. Critical economic news released overnight included a noted decline in a Chinese Caixin services PMI reading for April, a horrendous drop in German factory orders for March, a precipitous softening in Swiss consumer prices, much weaker than expected French industrial output, steady but weaker than expected French nonfarm payrolls, a much better-than-expected Spanish industrial output reading for March, much stronger than expected Italian retail sales, slightly better-than-expected GBP S&P global construction PMI for April and a massive slide in euro zone retail sales for April. The North American session will start out with the highlight for global markets, the April US employment situation report. April non-farm payrolls are expected to come in around 175,000 to 185,000, which compares with 236,000 in March. The April US unemployment rate is forecast to have a minimal uptick from March's 3.5% rate while April average hourly earnings are expected to hold steady at a 4.2% year-over-year rate. April Canadian unemployment is forecast to have a minimal uptick from March's 5.0% reading along with a moderate monthly increase in their net employment. March US consumer credit is expected to have a mild increase from March's \$15.3 billion reading. Fed Governor Cook and St. Louis Fed President Bullard will speak during afternoon US trading hours. Earnings announcements will include Enbridge and Dominion Energy before the Wall Street opening.



### GOLD / SILVER

Apparently, an avalanche of very disappointing global economic data overnight has not provided economic uncertainty flight to quality buying of gold early on and perhaps more importantly has not sparked long interest in the US dollar. Perhaps the gold and silver trade is seeing growing recession fear and expectations of further slowing of physical demand. Yesterday's bearishness is also accentuated by World Gold Council predictions of softening Indian gold demand in both the June and September quarters. Additional bearish news from the WGC that Indian first quarter gold demand declined by 17% and India scrap gold inventories jumped by 25% in the first quarter. Unfortunately for the bull camp, the World Gold Council also indicated that global gold demand fell in the first quarter of 2023 despite strong ongoing central bank demand. First quarter gold demand fell by 13% compared to year ago levels and that contraction would have been very severe if central bank purchases of 228 tons were not registered. Apparently, first-quarter global central bank purchases were the strongest first quarter readings in 3 years with another highlight for the bull camp seen from Chinese jewelry demand reaching the strongest level since the first quarter of 2015. Another countervailing force to the decline in global gold consumption in the 1st quarter is the highest first quarter gold bar and gold coin purchases by the US since 2010. Unfortunately for the bull camp yesterday gold ETF holdings saw an outflow of 42,233 ounces while silver ETF holdings saw a minimal inflow of 438,365 ounces which resulted in a net purchase tally for the year of 1.8 million ounces. From a technical perspective, the sharp range up rallies and subsequent setbacks this week hint at a temporary top in gold and silver. However, concerns toward regional US banks continue to burn in the headlines with share prices plummeting this week and the press hyping and hoping to discover the next tenuous situation. Therefore, the flight to quality interest is likely to remain a background bullish catalyst for gold and to a lesser degree for silver. However, record high gold prices in India have already shown signs of trimming demand and unless global gold prices explode and result in fears of missing out, we give the near-term edge to the bear camp. In fact, the world's largest gold consumer (China) has posted disappointing PMI data this week and signs of noted

weakness in several industrial metal market prices suggest the Chinese recovery is not solid. Unfortunately for the bull camp, the most recent COT positioning report in gold showed the largest net spec and fund long in a year and since that positioning was measured the June gold contract added \$78 to the high yesterday. Therefore, net spec and fund long buying fuel has been burned and many of those longs might be inclined to bank profits and exit under more pressure today. An obvious key pivot point/failure point today is yesterday's low at \$2,038.50 whereas a trade above \$2,063.40 could launch a week ending speculative buying wave.

## PLATINUM

In addition to further deterioration in global macroeconomic psychology yesterday, the PGM markets today should be discouraged by soft Chinese services PMI data and by evidence of soft first quarter global gold demand. In fact, Platinum bears should be emboldened by disappointing European economic data released overnight and by the failure to hold the key chart support yesterday at \$1,046.70. Adding into the bearish fundamental storyline, platinum ETF holdings yesterday saw a precipitous outflow of 6,382 ounces reducing the year-to-date inflow to 6.5%. Unlike the palladium market (which holds a massive net short), the last net spec and fund long position in platinum was near the highest levels in 14 months and therefore the propensity for the market to continue to experience aggressive stop loss selling is solid. Initial downside targeting in July platinum is now at \$1,032.90. While demand fundamentals for palladium are even worse than for platinum, the palladium market is not overbought from weeks and months of strength and the market likely holds a record net spec and fund short! Furthermore, inflows to palladium ETF holdings continue with the year-to-date gain of 8.7% becoming a material impact on the world supply and demand balance in the palladium market. We see thin and unreliable support in June Palladium at \$1,405.

### TODAY'S MARKET IDEAS:

In today's action, the status of headlines regarding the US bank sector will continue to roil gold and silver prices. However, the trade will also face monthly US nonfarm payroll readings which if softer than expected could add additional flight to quality buying in gold or the precious metal markets could shift focus and fret over fears of slowing physical and investment demand typical in recessionary conditions. In conclusion, volatility in gold and silver could be very significant today and given short-term chart trends and negative World Gold Council demand readings overnight the bear camp has the edge unless US bank sector concerns explode with a new failure.

### 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).

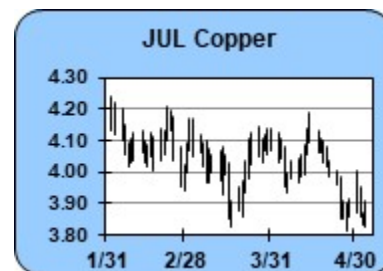
Remaining position, Short a June gold \$2,000 call at 33.00 and long a June gold \$1,970 put for 31.00. \*Use an objective on the long \$1,970 put of \$15.00.

## COPPER COMMENTARY

5/5/2023

### The bear camp is in control again today

**GENERAL:** All things considered, seeing copper prices track minimally lower this morning in the wake of a 2nd day of disappointing Chinese PMI data (weaker services PMI) might indicate the market has found a value zone just above \$3.80. In fact, Shanghai copper warehouse stocks this week declined by 2,176 tons and the Chilean Mining Minister has raised copper price forecasts by \$0.05 per pound. The Chilean mining minister indicated the upward revision in their price forecast levels is predicated on a shift into a global deficit condition brought on by 5% plus growth in China. The bull camp is also seeing support from a weaker dollar and from a relief bounce in global equity prices! Unfortunately for the bull camp LME copper warehouse stocks posted an



11th straight day of inflows. Obviously, today's US jobs report will be a fresh input on the probable direction of the global economy and a combination of US recession fear and further escalation of US bank sector problems could result in a failure of \$3.80.

#### **MARKET IDEAS:**

The path of least resistance is down with the \$3.80 level not capable of supporting the market in the face of an extension of negative US economic sentiment following today's nonfarm payroll report, especially if US bank shares fall sharply again today.

#### **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) 05/05/2023: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. The close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 2107.2. The next area of resistance is around 2082.2 and 2107.2, while 1st support hits today at 2035.4 and below there at 2013.5.

COMEX SILVER (JUL) 05/05/2023: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close above the 9-day moving average is a positive short-term indicator for trend. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The near-term upside objective is at 26.993. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 26.847 and 26.993, while 1st support hits today at 26.263 and below there at 25.824.

COMEX PLATINUM (JUL) 05/05/2023: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market tilt is slightly negative with the close under the pivot. The next downside target is 1025.23. The next area of resistance is around 1069.95 and 1087.42, while 1st support hits today at 1038.85 and below there at 1025.23.

COMEX COPPER (JUL) 05/05/2023: 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. The daily closing price reversal up on the daily chart is somewhat positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is now at 3.78. The next area of resistance is around 3.89 and 3.94, while 1st support hits today at 3.82 and below there at 3.78.

#### **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	2058.8	69.19	64.17	44.12	59.11	2031.18	2014.13	2016.18	1979.24	1950.90
SIEN23	26.555	73.84	69.78	48.21	59.76	25.90	25.65	25.72	24.09	23.60
PLAN23	1054.40	42.14	48.44	49.76	33.29	1063.78	1082.26	1077.85	1022.82	1004.97

CPAN23	3.85	34.36	37.64	17.62	14.35	3.87	3.88	3.98	4.01	4.03
PAAM23	1441.60	41.76	44.78	26.61	16.12	1431.55	1472.47	1508.99	1459.06	1468.86

**Calculations based on previous session. Data collected 05/04/2023**

**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	2013.4	2035.3	2060.3	2082.2	2107.2
SIEN23	COMEX Silver	25.823	26.262	26.408	26.847	26.993
PLAN23	COMEX Platinum	1025.22	1038.85	1056.32	1069.95	1087.42
CPAN23	COMEX Copper	3.78	3.81	3.86	3.89	3.94
PAAM23	COMEX Palladium	1396.55	1423.10	1433.55	1460.10	1470.55

**Calculations based on previous session. Data collected 05/04/2023**

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