



DAILY METALS COMMENTARY

Wednesday May 10, 2023

PRECIOUS METALS COMMENTARY

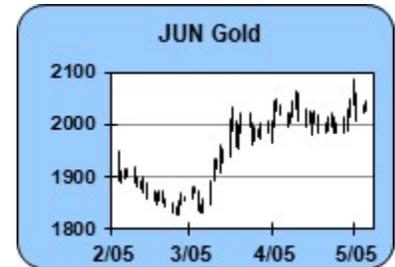
5/10/2023

No debt ceiling progress the focus shifts to CPI a bearish edge

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

GOLD -5.60, SILVER +0.00, PLATINUM -0.38

OUTSIDE MARKET DEVELOPMENTS: Global equity markets overnight were mostly lower overnight ranging from a 1.1% decline in Shanghai to a surprise gain in Russian stocks. Overnight economic news of importance included a slight uptick in Japanese coincident index readings, a minimal decline in a Japanese leading economic index reading for March, as expected German consumer price index readings for April and much weaker than expected Italian industrial output readings for March. The North American session will start out with a weekly survey of mortgage applications followed by the highlight for global markets, the April US consumer price index which is expected to hold steady with March's 5.0% year-over-year rate. The April US core consumer price index (excluding food and energy) is forecast to hold steady with March's 5.6% year-over-year rate. Earnings announcements will include Walt Disney and Nutrien after the Wall Street close.



GOLD / SILVER

At least in the early going today, gold, and silver prices are under pressure as if markets have decided to track classic physical commodity market fundamentals. However, the markets have shown some bullish sensitivity to the prospects of fresh inflationary signals from US CPI this morning. The bull camp also has a US default in its quiver with yesterday's talks at the White House failing to reach a deal. With the negotiators agreeing to meet on Friday, the impact from the debt ceiling battle will likely take a backseat to inflation news over the coming two sessions. Obviously, seeing inflation hit expectations or register a hotter than expected reading will reduce the prospects the Fed will pause in their next meeting and that will likely exert pressure and or limit upside action. On the other hand, a hotter than expected inflation reading could rekindle classic inflation flight to quality buying of gold and silver, but the upward track could be fraught with volatility if the markets are presented with a significant jump in interest rates and a noted surge in the dollar. A supportive development for gold came from an increase in gold ETF holdings of 42,184 ounces yesterday, with holdings returning to "flat" on the year with the inflow. Similarly, silver ETF holdings fell by a scant 4,156 ounces and those holdings have also returned to "flat" on the year. Expectations for today's US CPI report call for a gain of 0.4% which is likely right on the inflection point of the inflation/no inflation line in the sand. In other words, it is likely that a reading above 0.4% will rekindle speculative buying of gold and silver off ideas that inflation remains sticky. In conclusion, the gold bulls need a CPI above 0.4% to spark a wave of aggressive inflation-based buying. On the other hand, we think June gold remains resilient with last week's strong surge to \$2,085.40, but traders should not rule out the possibility of significant two-sided volatility today. A quasi-double top forged by today's high of \$2045.30 is resistance and a bullish pivot point, with support and a pivot point seen down at \$2022. Unfortunately for the bull camp gold prices are trading above the level where the last COT positioning report registered one of the largest net small speculative and fund long positions in 12 months. A supportive supply-side development overnight for the silver market came from a survey predicting Chinese silver production for April will decline by 8.2% on a month over month basis and by 6.7% on a year over year basis. The silver charts are mostly positive with the trade rejecting spike down action aggressively in 5 of the last 6 trading sessions. Uptrend channel support in July silver today is very close at \$25.60 with the \$26.00 a potential bull/bear line in the sand.

PLATINUM

With the significant range up extension of the bounce off last week's low yesterday, and the upside extension this morning the platinum market appears on track to post new contract highs. Apparently, investors and traders view

platinum as a positive mix of inflationary vehicle and possible physical demand benefactor. Recent daily platinum ETF flows have been supportive, and it seems that yesterday's sharp range up rally in futures prompted a noted inflow to platinum ETF instruments. In fact, platinum ETF holdings added another significant day of inflows with 10,276 ounces flowing into the instruments and resulting in the year-to-date gains in holdings rising to 6.7%. Unfortunately for the bull camp, the platinum market is becoming short-term overbought from a positioning perspective as the net spec and fund long last week was near the highest levels since March of last year and since the report was measured, prices have rallied \$38.00. However, July platinum posted another higher high for the move overnight and should be underpinned by the ongoing expectations of inflows to ETF instruments ahead. Initial resistance today is \$1,124, and support is \$1,072. Not to be left out, the palladium market was pulled higher yesterday by the upside extension in platinum and palladium might continue to draft from platinum. However, fundamentals for palladium are not nearly as supportive as in the platinum market, but a large net short positioning in palladium presents a stronger technical bull case than in platinum. While palladium ETF holdings did not register a large inflow yesterday, the year-to-date gain in palladium ETF holdings is a very important 10%. A trade above \$1,600 is possible with thick resistance and a likely overbought price level pegged at \$1,631.50.

TODAY'S MARKET IDEAS:

While we give the edge to the bull camp across the precious metal complex, the markets will be on a razor's edge today with the potential for trend setting action in either direction. Obviously, the most beneficial outcome for precious metal market bulls today is for an ultra-hot US CPI reading, without the dollar and interest rates surging. Unfortunately for the bull camp it could be difficult to engineer a perfect bullish storm today, as a CPI result that rekindles fears of a US rate hike ahead could result in temporary selling pressure surfacing from outside markets.

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).

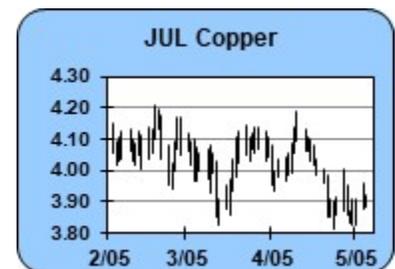
Remaining position, Short a June gold \$2,000 call at 33.00 and long a June gold \$1,970 put for 31.00. *Use an objective on the long \$1,970 put of \$15.00.

COPPER COMMENTARY

5/10/2023

Demand and supply developments favor the bear camp

GENERAL: In addition to fresh damage on the charts from a 3-day low, the copper market should see ongoing pressure from another moderately large daily LME copper warehouse stock inflow and from news that copper production in Peru (for the latest month available March) registered a sharp jump of 14% month over month. Even the demand side of the equation favors the bear camp today with a Dow Jones article overnight suggesting Chinese copper demand signals are concerning because of anemic industrial activity and low import statistics. In retrospect, recent copper demand information has been mixed too slightly disappointing and supply-side headlines have been bearish. Fortunately for the bull camp economic copper demand concerns from outside China are not as important to the trade as copper demand signals from China. While an as expected, US CPI and certainly a below expectations CPI result could allow for a risk on rally in equities, we do not attach a large probability to that outcome. In short, copper prices should track in a positive correlation with equities today with equity market action temporarily a proxy for global copper demand prospects. Even though the size of the lengthening chain of daily LME copper warehouse stock inflows is not significant on its face, those inflows are beginning to temper long-held views of structural tightness in the global copper trade. Unfortunately for the bull camp the market was also presented with higher Peruvian production estimates overnight and that further deflates a previously supportive supply condition. It should be noted that China was scheduled to release new loan figures for April today (figures are not available as of this writing) with expectations calling for a significantly



smaller loan tally than seen in the prior month!

MARKET IDEAS:

We give the edge to the bear camp as the charts turned negative this morning, demand signals have been more bearish than bullish and supply signals also favor the bear tilt. However, technical signals from the COT report positioning show a market heavily net short already and potentially a market that will become excessively oversold on further declines. Nonetheless, a return to the \$3.80 level in the July contract is possible if today's CPI results in a definitive risk off environment.

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) 05/10/2023: Positive momentum studies in the neutral zone will tend to reinforce higher price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside objective is at 2057.6. The next area of resistance is around 2051.5 and 2057.6, while 1st support hits today at 2032.9 and below there at 2020.3.

COMEX SILVER (JUL) 05/10/2023: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. 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 upside objective is 26.386. The next area of resistance is around 26.282 and 26.386, while 1st support hits today at 25.938 and below there at 25.697.

COMEX PLATINUM (JUL) 05/10/2023: The crossover up in the daily stochastics is a bullish signal. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's short-term trend is positive on the close above the 9-day moving average. A positive setup occurred with the close over the 1st swing resistance. The near-term upside objective is at 1147.60. The next area of resistance is around 1135.60 and 1147.60, while 1st support hits today at 1093.80 and below there at 1064.00.

COMEX COPPER (JUL) 05/10/2023: Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market tilt is slightly negative with the close under the pivot. The next upside objective is 3.94. The next area of resistance is around 3.92 and 3.94, while 1st support hits today at 3.89 and below there at 3.86.

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 | 2042.2 | 59.21 | 58.18 | 49.70 | 52.96 | 2038.53 | 2024.04 | 2015.76 | 1990.07 | 1957.70 |
| SIEN23 | 26.110 | 62.06 | 62.73 | 59.72 | 65.57 | 26.19 | 25.86 | 25.74 | 24.40 | 23.76 |
| PLAN23 | 1114.70 | 64.27 | 62.10 | 41.89 | 45.07 | 1080.33 | 1078.82 | 1087.46 | 1030.23 | 1010.81 |

| | | | | | | | | | | |
|--------|---------|-------|-------|-------|-------|---------|---------|---------|---------|---------|
| CPAN23 | 3.90 | 44.75 | 43.95 | 22.04 | 26.47 | 3.89 | 3.89 | 3.95 | 3.99 | 4.02 |
| PAAM23 | 1579.70 | 63.97 | 59.38 | 36.09 | 50.08 | 1517.88 | 1484.27 | 1522.04 | 1465.98 | 1465.58 |

Calculations based on previous session. Data collected 05/09/2023

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 | 2020.2 | 2032.8 | 2038.9 | 2051.5 | 2057.6 |
| SIEN23 | COMEX Silver | 25.696 | 25.937 | 26.041 | 26.282 | 26.386 |
| PLAN23 | COMEX Platinum | 1064.00 | 1093.80 | 1105.80 | 1135.60 | 1147.60 |
| CPAN23 | COMEX Copper | 3.86 | 3.88 | 3.90 | 3.92 | 3.94 |
| PAAM23 | COMEX Palladium | 1535.10 | 1559.69 | 1575.10 | 1599.69 | 1615.10 |

Calculations based on previous session. Data collected 05/09/2023

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