



## DAILY METALS COMMENTARY

Wednesday May 17, 2023

### PRECIOUS METALS COMMENTARY

5/17/2023

#### The bears control from signs of ongoing negotiations

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

**GOLD -2.10, SILVER -0.01, PLATINUM +0.75**

**OUTSIDE MARKET DEVELOPMENTS:** Global equity markets overnight saw more losers than winners with the weakness primarily centered in Asia. Critical economic news released overnight included a stronger than expected Japanese first quarter GDP, a slight contraction in Chinese house price index readings for April, a moderate rise in Australian wage price index readings for the first quarter, much softer than expected Japanese capacity utilization for March, better-than-expected Japanese industrial production, as expected French unemployment in the first quarter, a sharp reduction in Chinese foreign direct investment, and as expected euro zone harmonized index of consumer prices. The North American session will start out with a weekly private survey of mortgage applications followed by April housing starts which are forecast to have a modest downtick from March's 1.42 million annualized rate. April building permits are expected to have a minimal uptick from March's 1.43 million annualized rate. Earnings announcements will include TJX and Target before the Wall Street opening while Cisco Systems, Synopsis and Copart report after the close.



#### GOLD / SILVER

With a definitive upside breakout extension in the dollar to the highest levels since March 27th this morning the downside pressure in gold and silver is expected to extend today. Strength in the dollar is likely the result of emerging hawkish views toward the US Federal Reserve stance in the June 13/14th FOMC meeting. While reports of progress on the debt ceiling negotiations lowers the prospect of default, until an actual deal is inked traders should fear a breakdown in talks and a last-minute drama of some sort. Apparently, the president will travel to a G7 meeting in Japan but will return to "finish" the negotiations on Sunday. Adding into the negative vibe in gold and silver today are outflows from gold and silver ETF holdings yesterday of 13,149 ounces and 512,657 ounces respectively. Unfortunately for the bull camp, precious metal markets yesterday were behaving like flight to quality instruments as expectations in the market shifted slightly toward a "debt ceiling deal" and prices caved in. Certainly, the repercussions of a default are severe and that has resulted in committed longs, but we suspect that dedication will evaporate if the June contract fails to hold \$1982. According to the treasury secretary the US could run out of cash on June 1st which leaves 11 days of negotiating after the president returns from Asia. Even the charts favor the bear camp today, especially in silver with a fresh new low for the move and signs of heavy resistance building at the \$24.00 level. Initial downside targeting in July silver is \$23.65. Near-term downside targeting in June gold is \$1,982 and potentially down at \$1966 if a budget/debt ceiling deal is reached.

#### PLATINUM

While the July platinum contract appears to have built a thin measure of consolidation support at a recent double low of \$1058, fear of a very slow climb out in the Chinese economy, tightening global credit conditions, strength in the dollar, and weakness in gold and silver present a measure of ongoing fundamental resistance for the market. However, yesterday platinum ETF holdings saw another noted inflow of 10,773 ounces which puts year-to-date gains at 9.6%. Therefore, investors remain keen to build holdings in platinum orientated instruments which are in part justified by predictions of a significant jump in the annual supply and demand deficit. According to Johnson Matthey surging automaker demand is expected to grow consumption of platinum by 11% and when increased investor demand is added total global demand for platinum is expected to increase by 19% and reach 7.46 million ounces. Johnson Matthey also predicted the 2023 world platinum market would see a deficit of 128,000 ounces.

Unfortunately for the bull camp in palladium Johnson Matthey expects palladium consumption by automakers will drop by 2% thereby reducing the world palladium deficit to 43,000 ounces which is less than 1/10th the deficit of 531,000 ounces last year. In conclusion, forecasts project platinum to gain significant market share over higher priced palladium, especially with palladium currently trading \$430 per ounce above platinum. In short, longer-term fundamentals remain very bullish for platinum especially relative to palladium. However, near-term macro forces could temporarily push July platinum below \$1,058 over the coming 24 hours, but we would consider that a long-term buying opportunity.

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

With significant damage on the charts in the precious metal markets yesterday and the markets faltering off signs of a possible debt ceiling deal unfolding, the path of least resistance remains down. However, given past debt negotiations, Washington politicians like drama and especially like to create scenarios in which they ride to the rescue to save the country and that could mean several twists and turns in the negotiations before that June 1st deadline set by the US Treasury Secretary is reached. Therefore, the coming 24 hours are likely to present significant volatility with the path of least resistance favoring the downside unless there is a major "risk off" washout in commodities and a major washout in equities.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

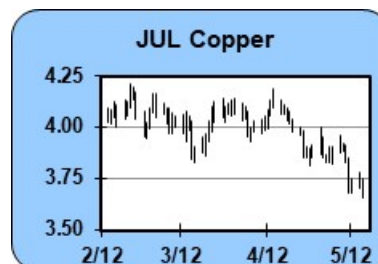
Long 2 May Gold \$2,000 puts for \$13.00. Long June gold futures from \$2,023. \*Hit objective on the long June gold futures position of \$2,043. Hit objective of \$19.00 on the May gold puts giving the remaining short June call position/long June put position a cushion of \$20 from the long futures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

**5/17/2023**

### **Demand fears continue to weigh on prices as does the debt ceiling**

**GENERAL:** The outlook for the Chinese economy continues to chop back and forth with the latest volley slightly disappointing following a contraction of 0.2% in a Chinese house price index reading for April. In retrospect, the copper market was also disappointed with the soft Chinese economic data from industrial production and retail sales yesterday leaving Chinese copper demand views in favor of the bear camp. Unfortunately for the bull camp LME copper warehouse stocks continue to rise with a gain of 2,800 tons overnight extending a rapid rebuilding of exchange supply. The bull camp could be cheered by the fact that this week's sharp declines have resulted in a significant decline in trading activity, perhaps signaling a lack of interest in pressing the short side of the market at current deflated levels. Furthermore, with the July copper contract from the last COT positioning report mark off into the low yesterday, copper prices have declined nearly \$0.25 potentially putting the net spec and fund short at the largest level since the beginning of the pandemic! In minor macro negative for copper increased recession fears have invaded several physical commodities this week from headwinds arising from the prospects of a US default. While we expect a deal to surface, we do not expect a deal until the US is facing imminent default and that gives the bear camp the near-term edge.



#### **MARKET IDEAS:**

While we see the fundamental path of least resistance pointing down again today, seeing July copper prices into the low yesterday sitting \$0.25 below the level where the last COT positioning report was measured should mean the market is becoming significantly oversold in the small spec and fund categories. In the end, the copper trade is likely to shift its focus toward US economic conditions and away from Chinese economic conditions, as the US debt ceiling situation comes to a head. Therefore, we will not rule out additional downside action and a possible

temporary test of \$3.60.

**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) 05/17/2023: The close below the 40-day moving average is an indication the longer-term trend has turned down. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The intermediate trend has turned down with the cross over back below the 18-day moving average. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside target is 1966.0. The next area of resistance is around 2010.1 and 2033.2, while 1st support hits today at 1976.5 and below there at 1966.0.

COMEX SILVER (JUL) 05/17/2023: The downside crossover (9 below 18) of the moving averages suggests a developing short-term downtrend. 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 defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside objective is now at 23.733. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 24.344 and 24.632, while 1st support hits today at 23.895 and below there at 23.733.

COMEX PLATINUM (JUL) 05/17/2023: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market tilt is slightly negative with the close under the pivot. The next downside target is 1052.28. The next area of resistance is around 1076.55 and 1086.07, while 1st support hits today at 1059.65 and below there at 1052.28.

COMEX COPPER (JUL) 05/17/2023: 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 is in a bearish position with the close below the 2nd swing support number. The next downside objective is now at 3.59. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 3.70 and 3.78, while 1st support hits today at 3.62 and below there at 3.59.

**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	1993.3	38.86	44.98	40.46	30.95	2012.70	2026.82	2016.88	2006.56	1969.87
SIEN23	24.120	27.37	36.35	30.12	15.38	24.41	25.36	25.45	24.82	23.96
PLAN23	1068.10	45.06	49.24	43.53	37.16	1078.40	1083.89	1087.98	1043.98	1023.12
CPAN23	3.66	25.82	30.01	16.74	12.31	3.71	3.81	3.85	3.96	3.99
PAAM23	1499.60	46.87	48.92	54.53	52.98	1524.43	1530.48	1510.68	1482.79	1468.35

Calculations based on previous session. Data collected 05/16/2023

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	1966.0	1976.5	1999.6	2010.1	2033.2
SIEN23	COMEX Silver	23.732	23.894	24.182	24.344	24.632
PLAN23	COMEX Platinum	1052.27	1059.65	1069.17	1076.55	1086.07
CPAN23	COMEX Copper	3.58	3.61	3.68	3.70	3.78
PAAM23	COMEX Palladium	1472.05	1483.60	1504.05	1515.60	1536.05

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