



## DAILY METALS COMMENTARY

Thursday May 18, 2023

### PRECIOUS METALS COMMENTARY

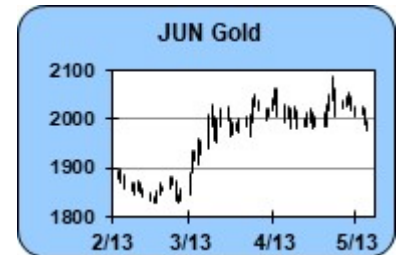
5/18/2023

#### The bears control in the face of more Dollar gains

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

**GOLD -10.00, SILVER -0.03, PLATINUM -1.20**

**OUTSIDE MARKET DEVELOPMENTS:** Global equity markets overnight were higher except for the Shanghai market which closed fractionally lower. Critical economic news of importance released overnight included softer than expected Japanese exports, a significant contraction in Japanese imports, a loss of jobs in Australia of 4,300, a 0.2% increase in the Australian unemployment rate and a significant jump in Spanish 5-year bond auction yields. The North American session will start out with a weekly reading on initial jobless claims that is expected to have a moderate downtick from the previous 264,000 reading. Ongoing jobless claims are forecast to have a minimal weekly uptick from the previous 1.813 million reading. The May Philly Fed manufacturing survey is expected to have a moderate uptick from April's -31.3 reading. April existing home sales are forecast to have a modest downtick from March's 4.44 million annualized rate. The Conference Board's April reading on leading indicators is expected to have a modest uptick from March's -1.2% reading. Dallas Fed President Logan and Fed Governor Jefferson will speak during morning US trading hours. Earnings announcement will come from Walmart before the Wall Street opening while Applied Materials report after the close.



#### GOLD / SILVER

With a minimal higher high for the move in the dollar overnight, combined with residual hope of ongoing US debt ceiling negotiations, the bear camp in gold has the initial edge. Apparently, the gold trade sees an ultimate solution to the US debt ceiling battle with the odds favoring an increase in the debt ceiling and little if any work on the deficit. Furthermore, gold ETF holdings yesterday declined again this time by 68,837 ounces leaving the year-to-date gain at only 0.2%. Therefore, the downside extension early today is justified by the fundamental headline flow with near term targeting shifting down to \$1971.60 and perhaps \$1965.90 if dollar gains extend through US scheduled data. With the gold market negatively diverging with silver, platinum, and copper prices yesterday, it appears that strength in the dollar has the full attention of the gold trade. Adding to the negative fundamental bias are signals from some Fed members who patently discounted the potential for Fed rate cuts later this year. Certainly, open interest in gold has started to contract after reaching the highest level since last July but given the decline in prices, we expect more gold futures longs to exit at the same time gold ETF holdings continue to decline. In short, the path of least resistance is down in gold. Like the gold market, the silver market freshly damaged its charts again overnight and the fundamental track also favors the bear camp. However, silver should see less spillover selling pressure from dollar gains and should garner a minimal benefit from a modest silver ETF inflow of 103,016 ounces yesterday. To turn the trend around in July silver might require a trade back above \$24.40, but in the near term the next support point of \$23.56 is unlikely to hold the market up.

#### PLATINUM

Given the initial failure and sharp recovery in platinum futures yesterday, and evidence of net buying of platinum ETF instruments from yesterday there is fundamental and technical underpin for platinum prices above this week's low of \$1,057.50. Furthermore, the bull camp should be emboldened by another inflow to platinum ETF holdings of 1895 ounces yesterday which brings the year-to-date gain up to 9.7%. Uptrend channel support in July platinum is \$1066.70 today and increases to \$1,069.80 on Friday. As of yesterday's close, the platinum market remained \$406 discount to palladium prices! On the opposite side of the argument the palladium market remains at a premium to platinum of \$406 and the trade is in the process of factoring a loss of palladium demand

to substitution. However, palladium ETF holdings yesterday saw a single day inflow to holdings of 3,591 ounces resulting in a single day expansion of total holdings of 0.7%. Nonetheless, we expect palladium prices to lag PGM market rallies and for palladium prices to lead PGM market declines. A key pivot point in June palladium today is \$1,454.

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

We leave the edge to the bear camp in June gold and July silver today, but we are less negative toward silver and less negative toward platinum. Nonetheless the dollar is showing signs of residual strength and evidence of global slowing is likely to surface again today from the US report slate. In conclusion negative outside market forces, disappointing Indian demand news earlier this week and a residually large net spec and fund long position leaves gold vulnerable to a slide toward the April 3rd low down at \$1965.90.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

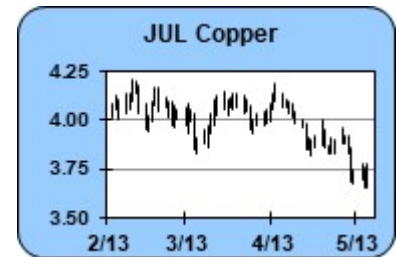
Long 2 May Gold \$2,000 puts for \$13.00. Long June gold futures from \$2,023. \*Hit objective on the long June gold futures position of \$2,043. Hit objective of \$19.00 on the May gold puts giving the remaining short June call position/long June put position a cushion of \$20 from the long futures 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. Use an objective of \$6.00 on the short June Gold \$2,000 call.

## **COPPER COMMENTARY**

**5/18/2023**

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

**GENERAL:** Given the surprise and potentially overdone rally in copper yesterday, slightly negative global economic sentiment and another significant daily inflow to LME copper warehouse stocks, the bear camp has regained control of the copper trade. However, the copper market appeared to benefit from bargain-hunting buying, providing a measure of value in the July contract around the \$3.66 level. In fact, Bloomberg overnight has indicated cheap prices earlier in the week appears to have sparked some "stockpiling" of copper from the spot market in China! A potential negative Chinese demand signal overnight came from a 3.5% decline in output of copper rods in the month of April which is the first monthly decline this year. However, with July copper from the last COT positioning report declining \$0.25 into the low yesterday the market has likely expanded its net spec and fund short significantly and that could mean short profit-taking combined with bargain-hunting buying around yesterday's lows. On the other hand, it should be noted that before the aggressive recovery yesterday, July copper posted a 5-month low and extended a lower low and lower high pattern on the charts!



#### **MARKET IDEAS:**

Certainly, the copper market was oversold at yesterday's low and deserving of a temporary bounce. However, without continued optimism flowing from equity markets, something positive from Chinese economic scheduled data or a very sharp slide in the US dollar we do not see a major low in place in copper yet.

#### **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) 05/18/2023: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's short-term trend is negative as the close remains below the 9-day moving average. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 1968.2. The next area of resistance is around 1995.9 and 2005.9, while 1st support hits today at 1977.1 and below there at 1968.2.

COMEX SILVER (JUL) 05/18/2023: 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 upside closing price reversal on the daily chart is somewhat bullish. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 23.782. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 24.312 and 24.451, while 1st support hits today at 23.978 and below there at 23.782.

COMEX PLATINUM (JUL) 05/18/2023: The moving average crossover up (9 above 18) indicates a possible developing short-term uptrend. 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 setup is supportive for early gains with the close over the 1st swing resistance. The next downside target is 1059.58. The next area of resistance is around 1089.15 and 1096.97, while 1st support hits today at 1070.45 and below there at 1059.58.

COMEX COPPER (JUL) 05/18/2023: The daily stochastics gave a bullish indicator with a crossover up. Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. The close below the 9-day moving average is a negative short-term indicator for trend. The upside closing price reversal on the daily chart is somewhat bullish. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside target is at 3.85. The next area of resistance is around 3.81 and 3.85, while 1st support hits today at 3.69 and below there at 3.61.

## 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	1986.5	36.60	43.37	34.62	22.98	2004.15	2018.79	2016.45	2007.94	1971.96
SIEN23	24.145	27.51	36.43	24.16	12.25	24.27	25.10	25.37	24.86	23.99
PLAN23	1079.80	51.13	52.86	41.92	38.71	1072.80	1087.48	1084.87	1045.78	1025.27
CPAN23	3.74	40.42	39.75	17.52	18.62	3.73	3.80	3.84	3.96	3.98
PAAM23	1484.90	44.45	47.33	52.12	47.32	1507.15	1535.29	1503.88	1482.06	1467.66

Calculations based on previous session. Data collected 05/17/2023

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	1968.1	1977.0	1987.0	1995.9	2005.9
SIEN23	COMEX Silver	23.781	23.977	24.116	24.312	24.451
PLAN23	COMEX Platinum	1059.57	1070.45	1078.27	1089.15	1096.97
CPAN23	COMEX Copper	3.60	3.68	3.73	3.81	3.85
PAAM23	COMEX Palladium	1462.57	1473.15	1486.07	1496.65	1509.57

Calculations based on previous session. Data collected 05/17/2023

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