



DAILY METALS COMMENTARY Friday May 19, 2023

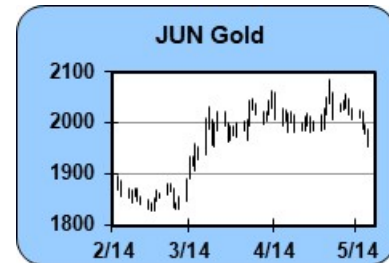
PRECIOUS METALS COMMENTARY

5/19/2023

The bears control but risk to shorts is rising fast

**OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
GOLD +8.50, SILVER +0.03, PLATINUM +0.57**

OUTSIDE MARKET DEVELOPMENTS: Global equity markets overnight were mostly higher except for some Asian markets. Critical economic news released overnight included as expected GBP GfK consumer confidence readings for May, a much hotter than expected Japanese national consumer price index reading for April, slightly softer than expected growth in New Zealand credit card spending, a much weaker than expected Japanese Tertiary Industry Index for March, and an unexpected rise in German producer price index readings for April. The North American session will only have one top-tier data point, March Canadian retail sales which are expected to have a sizable downtick from February's -0.2% reading. Fed Chair Powell will give a speech during morning US trading hours, while Fed Governor Bowman and New York Fed President Williams will also speak during the morning. Earnings announcements will include Deere & Company before the Wall Street opening.



GOLD / SILVER

While the gold and silver markets are receiving a small measure of lift this morning from weakness in the dollar, a bearish bias lingers in the marketplace. With a relatively thin US economic report slate today, the primary focus of the gold and silver trade is likely to be three Fed speeches with particular focus on the Fed Chairman speech. Even though the debt ceiling issue remains the primary focal point of most markets, with Biden outside the country we doubt he will allow progress to be made without his presence. On the other hand, a growing chorus of Democrats are supporting a move to use the 14th amendment to circumvent Congress under the guise of protecting the solvency of the United States and that nuclear option will likely be a hot topic on Sunday. Therefore, those pressing the short side of gold and silver should not discount the potential for a sudden revival of flight to quality buying interest next Monday. Since May 10th, gold has lost nearly \$80 in value, while silver has lost more than \$2.00 in value with both markets reaching their lowest levels since late March. Not surprisingly, gold, and silver ETF holdings this week have declined in sync with futures prices, but we now feel the risk of fresh shorts is on the rise! Clearly, declines in gold and silver prices this week have been the result of declining flight to quality interest from "hope" of a debt ceiling deal, but that outcome is far from certain.

PLATINUM

The PGM sector has also been weighed down by the Dollar's rally this month as palladium and platinum both finished Thursday with sizable loss. With prices for both new and used vehicles remaining at high levels and the prospect of higher US car loan rates, demand for new US cars and trucks is likely to slump. However, there has been a surge in US light vehicle sales which reached their highest reading since mid-2021 in April. Dealer inventories have risen since the start of this year but remain close to historic lows. As a result, US vehicle production could see a moderate increase over the next few months, which could provide underlying support to both PGM metals due to increased auto catalyst demand. Yesterday platinum ETF holdings fell by a minimal 656 ounces and into the last trading session of the week holdings are up 9.7% year-to-date. We see a critical pivot point today from the overnight low around \$1,055 in July platinum with a bullish reversal likely signaled with a rally above \$1079.10. The path of least resistance is down in palladium with unreliable support early today seen at \$1448.50, with the market drafting only minimal support from a 1269 ounces inflow to palladium ETF holdings yesterday. However, palladium ETF holdings are now up "14%" year-to-date!

TODAY'S MARKET IDEAS:

While the bear camp will continue to hold the upper hand in June gold today, we caution traders against fresh short positions at current levels on the charts especially with a potential major economic/financial/political junction facing the markets on Monday morning. However, it is unclear if the president will resume negotiations on his return to the US on Sunday, or if Washington will as usual, wait to the 11th hour to settle or kick the debt problem down the road. Near-term resistance for June gold is at \$1,975, with support and the next downside target at \$1,940. Near-term support for July silver is at \$23.40, near-term support for July platinum is at \$1,044 while near-term resistance for June palladium is at \$1,475.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

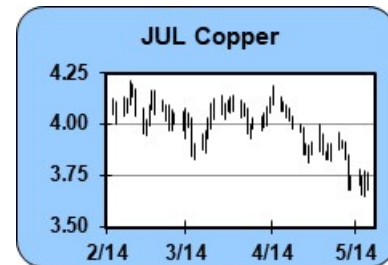
Long 2 May Gold \$2,000 puts for \$13.00. Long June gold futures from \$2,023. *Hit objective on the long June gold futures position of \$2,043. Hit objective of \$19.00 on the May gold puts giving the remaining short June call position/long June put position a cushion of \$20 from the long futures and \$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. *Hit objective of \$6.00 on the short June Gold \$2,000 call. Futures +\$20, Short call +\$27, Long May Gold put +\$12. Remaining option Long June gold 1970 put from \$31.00. Raise objective/exit to \$19.

COPPER COMMENTARY

5/19/2023

We see global copper demand fears moderating and support building

GENERAL: Fortunately for the bull camp the copper market saw another significant weekly outflow of copper from Shanghai copper warehouse stocks. In fact, weekly Shanghai copper warehouse stocks have declined for 12 straight weeks which largely offsets 19 straight days of inflows to LME copper warehouse stocks. While the net change in global exchange copper warehouse stocks over the past 2 months is a slight increase, evidence that Chinese industrial inventories of copper contracted this week, combined with the Shanghai stock decline of 15,872 ounces leaves the supply condition in copper minimally supportive today. However, talk of oversupply of nickel and zinc ahead creates bearish headwinds for copper prices today, but that news is offset by weekly declines in Shanghai aluminum and lead supplies. Certainly, copper has managed to build a layer of support on the charts above \$3.6750, but that is largely attributable to a slightly positive macroeconomic vibe flowing from equity markets this week. While some of the weakness in copper prices on Thursday was a simple balancing of yesterday's overdone rally, manufacturing data from the US Fed this week certainly sparks concerns of softer US copper demand ahead.



MARKET IDEAS:

While Chinese demand concerns have not been fully soothed, another weekly decline in Shanghai exchange copper stocks (as well as stronger global equities) should help support copper prices above building consolidation support at \$3.6750. However, if equities can post another positive session and copper prices can regain \$3.7650, the copper market may see a wave of short covering going into the weekend.

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) 05/19/2023: The close under the 60-day moving average indicates the longer-term trend could be turning down. The downside crossover of the 9 and 18 bar moving average is a negative signal. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is now at 1931.6. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 1977.5 and 2000.3, while 1st support hits today at 1943.1 and below there at 1931.6.

COMEX SILVER (JUL) 05/19/2023: The market back below the 60-day moving average suggests the longer-term trend could be turning down. Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market setup is somewhat negative with the close under the 1st swing support. The next downside target is 23.452. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 24.082 and 24.321, while 1st support hits today at 23.648 and below there at 23.452.

COMEX PLATINUM (JUL) 05/19/2023: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is now at 1038.35. The next area of resistance is around 1073.30 and 1089.95, while 1st support hits today at 1047.50 and below there at 1038.35.

COMEX COPPER (JUL) 05/19/2023: A bearish signal was triggered on a crossover down in the daily stochastics. Momentum studies are declining, but have fallen to oversold levels. 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 3.63. The next area of resistance is around 3.73 and 3.79, while 1st support hits today at 3.66 and below there at 3.63.

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	1960.3	29.32	37.83	28.26	15.69	1990.13	2011.52	2014.23	2008.36	1973.78
SIEN23	23.865	24.61	33.93	19.32	9.64	24.14	24.85	25.27	24.89	24.02
PLAN23	1060.40	42.86	47.23	38.40	31.34	1070.60	1086.36	1082.67	1047.67	1026.93
CPAN23	3.69	35.35	36.25	17.17	16.49	3.72	3.78	3.83	3.95	3.97
PAAM23	1450.20	39.09	43.71	47.53	38.35	1491.25	1531.22	1499.20	1482.18	1467.02

Calculations based on previous session. Data collected 05/18/2023

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	1931.5	1943.1	1965.9	1977.5	2000.3
SIEN23	COMEX Silver	23.451	23.647	23.886	24.082	24.321
PLAN23	COMEX Platinum	1038.35	1047.50	1064.15	1073.30	1089.95
CPAN23	COMEX Copper	3.62	3.65	3.70	3.73	3.79
PAAM23	COMEX Palladium	1435.47	1440.94	1453.97	1459.44	1472.47

**Calculations based on previous session. Data collected 05/18/2023
Data sources can & do produce bad ticks. Verify before use.**

****This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.*