



DAILY METALS COMMENTARY

Monday May 22, 2023

PRECIOUS METALS COMMENTARY

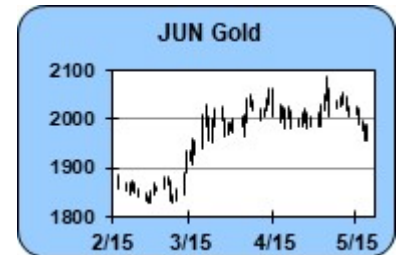
5/22/2023

The bears control but debt ceiling to discourage sellers

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

GOLD -3.50, SILVER -0.02, PLATINUM -0.26

OUTSIDE MARKET DEVELOPMENTS: Global equity markets overnight were generally higher except for Australian, Spanish, German, and French markets posting minimal losses. Critical economic developments overnight included much softer than expected Japanese machinery orders for March, a slight slowdown in Swiss Industrial Production for the first quarter and a much weaker than expected euro zone construction output reading for March. The North American session will have no top-tier US or Canadian economic numbers. The Speaker of the "house and the president are scheduled to meet today at the White House to work on a solution to the looming debt ceiling deadline. Earning announcements will include Zoom Video Communications before the Wall Street opening.



GOLD / SILVER

The charts favor the bear camp in gold and silver to start the new trading week. While a portion of the bull camp is hopeful of flight to quality buying interest following debt ceiling negotiations at the White House today, we think the markets are at risk of faltering from fears of recession if talks break down. Last week gold ETF holdings declined by 154,592 ounces while silver ETF holdings saw a decline of 2.02 million ounces. With the dollar early today drifting below last Friday's low, the bull camp in gold is hopeful the May rally is losing momentum. With the trade generally remaining positive about US debt ceiling negotiations, it is possible that optimism will spill over into this week thereby allowing gold and silver to consolidate above last week's low. Unfortunately for the bull camp, Indian buyers remain extremely price-sensitive especially with the Indian currency vulnerable to further US dollar strength. Unfortunately for the bull camp, the latest COT positioning report (which is probably overstated) showed a net spec and fund long reading near 12-month highs leaving the market vulnerable to stop loss selling from signs of an impending US debt ceiling deal. The May 16th Commitments of Traders report showed Gold Managed Money traders reduced their net long position by 14,837 contracts to a net long 131,789 contracts. Non-Commercial & Non-Reportable traders net sold 14,423 contracts and are now net long 237,557 contracts. On the other hand, with recent financial market relationships out of sync it is possible gold could shift its focus from the dollar to the direction of US interest rates. Obvious support is \$1,960.30 and then again down at \$1,954.30 with the bear camp holding modest fundamental and technical control. Fortunately for the bull camp in silver the market saw a correction last week and the beginning of a possible consolidation low support level building around the \$23.56 level. However, the latest COT positioning report remains near the upper level of the range of its long positioning of the last 12 months. The Commitments of Traders report for the week ending May 16th showed Silver Managed Money traders are net long 13,443 contracts after net selling 13,726 contracts. Non-Commercial & Non-Reportable traders had 36,749 contracts after decreasing their long position by 11,556 contracts.

PLATINUM

As opposed to gold and silver, the platinum market last Friday managed to respect the \$1055 level to form a double low which becomes a bull/bear line early this week. While the physical demand outlook for platinum could improve with a US debt ceiling deal, Chinese data continues to be lackluster which has discouraged would be buyers since the April highs. On the other hand, platinum ETF holdings remain 9.6% higher year-to-date with a net positive annualized impact on demand of roughly 300,000 ounces. Last week platinum ETF holdings increased by 50,995 ounces. In our opinion, if the bull case in platinum remains in place and inflows to platinum ETF holdings continue, we expect buyers to return once the debt ceiling impasse is in the rearview mirror.

Unfortunately for the bull camp, the net spec and fund long in silver is overbought relative to the last 12-months even though the latest reading probably overstates the position following the slide after the report was measured. The May 16th Commitments of Traders report showed Platinum Managed Money traders were net long 19,789 contracts after decreasing their long position by 2,540 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 2,178 contracts to a net long 31,134 contracts. Key support is obviously the quasi-double low of \$1,055, but we would not rule out a temporary spike below \$1,050 and a retest of \$1,043.60 in the coming 24 hours. With the market anticipating palladium to continue to lose demand to platinum we expect the price premium of palladium over platinum to narrow. However, investors remain interested in palladium ETF holdings with the year-to-date gain in holdings the largest of the actively traded precious metal ETF contracts at +14%. Last week palladium ETF holdings increased by 8,638 ounces. From a technical perspective, the palladium market has seen technical balancing with the market continuing to hold a moderately significant net spec and fund short. The Commitments of Traders report for the week ending May 16th showed Palladium Managed Money traders reduced their net short position by 746 contracts to a net short 4,016 contracts. Non-Commercial & Non-Reportable traders reduced their net short position by 570 contracts to a net short 5,311 contracts. It should also be noted that platinum broke after the positioning report was measured and it should be noted that the reversal and recovery last week was forged on one of the highest trading volume days of the past 30 days. We see support in Palladium at \$1,461 but see the risk and reward of fresh longs as unattractive.

TODAY'S MARKET IDEAS:

We give the edge to the bear camp to start the new trading week with several potential debt ceiling developments likely to favor the bear camp. Furthermore, gold, silver, and platinum are vulnerable from moderately large net spec and fund long positions. However, the precious metal futures markets should be supported from expectations of further inflows to ETF instruments, but it is possible investors will wait for noted corrections this week before pushing more money into precious metal ETFs. Therefore, we suggest traders looking for fresh positions should look for a large washout early this week to establish bull call spreads in August gold and September silver.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

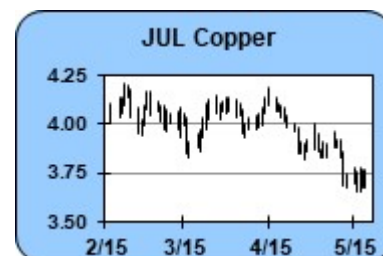
Long 2 May Gold \$2,000 puts for \$13.00. Long June gold futures from \$2,023. *Hit objective on the long June gold futures position of \$2,043. Hit objective of \$19.00 on the May gold puts giving the remaining short June call position/long June put position a cushion of \$20 from the long futures and \$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. Long May Gold put +\$12. Remaining option Long June gold 1970 put from \$31.00, *Hit exit to \$19. Futures +\$20, Short call +\$27, Long Put -\$14.00. = +\$33

COPPER COMMENTARY

5/22/2023

We expect prices to waffle at consolidation lows

GENERAL: In retrospect, the copper market remains caught in a sideways consolidation range bound by \$2.7790 and \$3.6570. If it were not for lackluster Chinese economic data, we would see the current consolidation lows as value. However, the bull camp should also be emboldened by a large net spec and fund short in copper which in the latest report was the largest net short since March 2020! In other words, the copper futures have factored in a bearish environment with the downside extension in May. The Commitments of Traders report for the week ending May 16th showed Copper Managed Money traders net sold 6,451 contracts and are now net short 22,621 contracts. Non-Commercial & Non-Reportable traders are net short 28,992 contracts after net selling 8,279 contracts. Unfortunately for the bull camp daily LME copper warehouse stocks have increased for twenty straight trading sessions, but that bearish supply factor is fully countervailed by typically more important declines in weekly Shanghai copper warehouse stocks for the last 3 months.



MARKET IDEAS:

Pushed into the market we expect a return to the bottom of the current consolidation pattern down at \$3.6570, at which point we would see the market significantly "sold-out". However, the bull camp will need a US debt ceiling deal and a positive economic environment to take out consolidation high resistance at \$3.7790 in the July contract.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Long July copper \$4.05/\$4.20 bull call spread at 0.037.

Commitment of Traders - Futures and Options - 5/9/2023 - 5/16/2023						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Metals						
Copper	-32,577	-6,754	28,993	+8,280	3,585	-1,525
Gold	205,266	-20,271	-237,557	+14,423	32,291	+5,848
Palladium	-4,843	+714	5,311	-570	-468	-144
Platinum	26,550	-2,394	-31,136	+2,176	4,584	+216
Silver	22,590	-11,790	-36,748	+11,557	14,159	+234

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) 05/22/2023: The cross over and close above the 60-day moving average indicates the longer-term trend has turned up. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The close below the 9-day moving average is a negative short-term indicator for trend. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside objective is now at 1944.4. The next area of resistance is around 1994.6 and 2006.5, while 1st support hits today at 1963.6 and below there at 1944.4.

COMEX SILVER (JUL) 05/22/2023: The major trend could be turning up with the close back above the 60-day moving average. Momentum studies are declining, but have fallen to oversold levels. A negative signal for trend short-term was given on a close under the 9-bar moving average. Market positioning is positive with the close over the 1st swing resistance. The next downside target is 23.532. The next area of resistance is around 24.512 and 24.761, while 1st support hits today at 23.898 and below there at 23.532.

COMEX PLATINUM (JUL) 05/22/2023: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside objective is now at 1041.55. The next area of resistance is around 1086.50 and 1099.95, while 1st support hits today at 1057.30 and below there at 1041.55.

COMEX COPPER (JUL) 05/22/2023: The daily stochastics gave a bullish indicator with a crossover up. The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The upside daily closing price reversal gives the market a bullish tilt. The close over the pivot swing is a somewhat positive setup. The next upside target is 3.81. The next area of resistance is around 3.77 and 3.81, while 1st support hits today at 3.69 and below there at 3.64.

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	1979.1	39.15	43.44	24.47	16.87	1979.58	2006.04	2012.64	2009.23	1975.99
SIEN23	24.205	36.91	41.07	17.31	13.30	24.08	24.65	25.21	24.94	24.06
PLAN23	1071.90	48.15	50.42	35.97	31.12	1069.90	1084.60	1081.21	1049.74	1028.94
CPAN23	3.73	40.59	39.81	17.55	18.74	3.71	3.75	3.82	3.95	3.97
PAAM23	1523.80	52.70	52.08	46.14	43.35	1489.63	1526.82	1501.58	1484.73	1468.57

Calculations based on previous session. Data collected 05/19/2023

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	1944.3	1963.5	1975.4	1994.6	2006.5
SIEN23	COMEX Silver	23.531	23.897	24.146	24.512	24.761
PLAN23	COMEX Platinum	1041.55	1057.30	1070.75	1086.50	1099.95
CPAN23	COMEX Copper	3.63	3.68	3.72	3.77	3.81
PAAM23	COMEX Palladium	1490.02	1508.05	1521.52	1539.55	1553.02

Calculations based on previous session. Data collected 05/19/2023

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