



DAILY METALS COMMENTARY

Thursday May 25, 2023

PRECIOUS METALS COMMENTARY

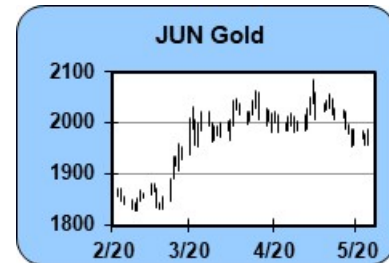
5/25/2023

The bias remains down with an uptrend in the \$ & higher rates

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

GOLD -2.90, SILVER +0.00, PLATINUM +0.08

OUTSIDE MARKET DEVELOPMENTS: Global equity markets overnight were mostly lower with the markets in France, GBP, and Spain managing to buck the trend and track higher. Critical economic news released overnight included a slightly softer than expected German GfK consumer confidence survey for June, softer than expected German GDP and a softer than expected French business climate in manufacturing reading for May. The North American session will start out with a weekly reading on initial jobless claims which are expected to have a minimal uptick from the previous 242,000 reading. Ongoing jobless claims are forecast to have a modest weekly increase from the previous 1.799 million reading. First quarter US gross domestic product is expected to hold steady with the previous 1.1% annualized rate. First quarter core personal consumption expenditures (a key Fed inflation gauge) are forecast to have a modest uptick from the previous 4.4% reading. The Chicago Fed's April national activity index is expected to have a moderate uptick from March's -0.19 reading. April Canadian manufacturing sales are forecast to hold steady with the previous 0.7% reading. April pending home sales are expected to have a sizable uptick from March's -5.2% reading. The Kansas City Fed's May manufacturing index is forecast to have a moderate uptick from April's -21 reading. Richmond Fed President Barkin and Boston Fed President Collins will speak during morning US trading hours. Earnings announcements will include Medtronic, NetEase and Dollar Tree before the Wall Street opening while Costco Wholesale, AutoDesk and Marvell Technology report after the close.



GOLD / SILVER

With another higher high for the move in the dollar overnight, an upside extension in US treasury yields and mostly negative physical commodity market action, the bear camp retains the edge in both gold and silver this morning. Adding into the initial bearish tilt are significant outflows from both gold and silver ETF holdings yesterday. Gold ETF holdings declined by 53,438 ounces, with silver ETF holdings posting another very large outflow of 1.4 million ounces. Clearly, the flight to quality angle is not operating in gold or silver again this morning even though the ratings agency Fitch has reminded the markets of potential change in ratings for various entities/instruments as a technical default loom in the US. Given the recent action in gold, we see the most probable breakout unfolding on the downside. Obviously, ongoing strength in the dollar is discouraging buyers which are also disappointed because of gold's lack of strength in the face of significant macroeconomic uncertainty. Perhaps the gold trade remains confident in a last-minute deal to avoid US default, or the trade sees a default as a development likely to throw the US into recession and in turn deflate physical commodities like gold and silver. However, a portion of the gold trade remains hopeful of a quick return to contract highs if no deal is reached when the US trade opens next Tuesday. On the other hand, several Fed comments this week expressed concern for inflation and several members have not ruled out the prospect of a rate hike in June. In conclusion, without a major crisis many fundamental signals favor the bear camp. In fact, recent gains in US interest rates and a pattern of higher highs in the dollar should continue to create stiff headwinds for gold and silver prices again today. In fact, with short-term US treasury yields at 5.67% and expected to rise further, we see August gold prices temporarily sliding below \$1,950. In the silver market the bull camp has lost bullish buzz from investment demand as holdings have declined this week, but silver is also likely to suffer additional pressure from fear of slowing physical commodity demand if Washington can't get a deal. In the near term, we see July silver failing to hold \$23.00 and potentially retesting \$22.60 if the macroeconomic mood continues to deteriorate.

PLATINUM

With another downside extension of this week's slide overnight the path of least resistance in platinum remains down. While the story has not been followed up with additional proof or headline coverage of a possible 2nd Covid wave in China, that story has enough gravity to discourage bottom picking. However, the Chinese Covid story has not surfaced today in a sign that the rumor of a 2nd wave of infections is likely a false alarm. Unfortunately for the bull camp yesterday platinum ETF holdings posted a minimal decline of 864 ounces but holdings remain 10% higher year-to-date. Initial support from the overnight low at \$1020.80 is unlikely to hold and we leave the next objective of \$1000 in place. The palladium market severely damaged its charts yesterday with a range down failure to the lowest levels since mid-March and while the downside extension this morning is minimal, the charts present bearish signals. Given the deteriorating macroeconomic view from the US debt debate and recent disappointing Chinese economic headlines, the path of least resistance remains down in palladium. However, despite a minimal decline yesterday, palladium ETF holdings remain 14% higher year-to-date. The September palladium contract sits right on a critical pivot point of \$1400 early this morning, with the next support and target on the downside seen at \$1376.70.

TODAY'S MARKET IDEAS:

We leave the edge with the bear camp in gold and silver from ongoing adverse outside market action. Unfortunately for the bull camp gold and silver traders have shown almost no interest in flight to quality issues despite rising fear of a US default. However, gains this week in the dollar and US interest rates are significant and should leave sellers in control again today. In fact, with short-term US treasury bill yields at 5.67% and expected to rise further, we see August gold prices temporarily sliding below \$1,950. In the near term, we see July silver failing to hold \$23.00 and potentially retesting \$22.60 if the macroeconomic mood continues to deteriorate.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

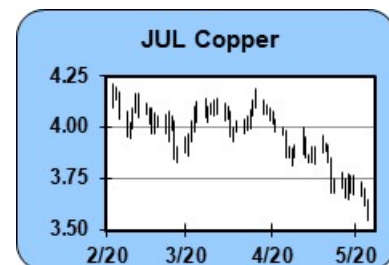
None.

COPPER COMMENTARY

5/25/2023

More declines from deteriorating global economic views

GENERAL: Despite several bullish long-term price forecasts released overnight, the near-term bias in the copper trade remains down. While the rumor of a 2nd Covid outbreak in China appears to have been false, concern for the Chinese economy remains in place partly because of a lack of official data from the Chinese government. While the overnight inflow to LME copper warehouse stocks of 275 tons is a minimal flow, the inflow was the 24th straight build which translates into talk of soft demand. With global economic data generally mixed to soft this week, copper demand views are deteriorating both inside and outside of China. Obviously, noted gains in US interest rates again this morning and more gains in the Dollar add to a growing list of bearish influences. The market is also disappointed in the lack of news of a Chinese stimulus effort, especially with recent scheduled Chinese data disappointing. Furthermore, it goes without saying that the potential for a political inspired macroeconomic washout in physical commodities is possible over the coming 6 sessions, with US politicians likely to go down to the deadline wire before compromising. From a technical perspective, the definitive spike down washout yesterday leaves the charts damaged with sellers confident and would be buyers preferring the sidelines.



MARKET IDEAS:

The path of least resistance is down with near term targeting seen at \$3.50. However, given a pre-existing large net spec and fund short position in the last COT report, a decline to \$3.50 would mean copper prices fell \$0.12 from the last COT positioning report mark off thereby putting the net spec and fund short position near the largest

levels since April 2020. In the end, fundamentals alone justify further declines, and the market is likely to become excessively oversold in the coming sessions.

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) 05/25/2023: 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 daily closing price reversal down is a negative indicator for prices. The market setup is somewhat negative with the close under the 1st swing support. The next downside target is now at 1937.5. The next area of resistance is around 1975.5 and 1996.4, while 1st support hits today at 1946.1 and below there at 1937.5.

COMEX SILVER (JUL) 05/25/2023: Momentum studies are declining, but have fallen to oversold levels. The market's short-term trend is negative as the close remains below the 9-day moving average. The close below the 1st swing support could weigh on the market. The next downside target is 22.990. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 23.625 and 23.990, while 1st support hits today at 23.125 and below there at 22.990.

COMEX PLATINUM (JUL) 05/25/2023: The market back below the 60-day moving average suggests the longer-term trend could be turning down. Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside target is now at 999.93. The next area of resistance is around 1048.55 and 1074.92, while 1st support hits today at 1011.05 and below there at 999.93.

COMEX COPPER (JUL) 05/25/2023: Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside target is now at 3.48. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 3.61 and 3.68, while 1st support hits today at 3.52 and below there at 3.48.

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	1960.8	34.10	39.69	17.90	13.50	1972.95	1985.33	2008.06	2007.95	1982.44
SIEN23	23.375	26.24	33.03	13.05	9.33	23.91	24.06	24.94	25.00	24.19
PLAN23	1029.80	35.16	41.29	28.14	18.57	1060.03	1065.50	1074.48	1054.37	1034.67
CPAN23	3.56	27.58	30.72	14.17	10.30	3.66	3.69	3.78	3.93	3.95
PAAM23	1398.10	35.30	40.13	35.20	23.25	1465.20	1482.18	1491.93	1488.44	1470.40

Calculations based on previous session. Data collected 05/24/2023

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	1937.4	1946.0	1966.9	1975.5	1996.4
SIEN23	COMEX Silver	22.990	23.125	23.490	23.625	23.990
PLAN23	COMEX Platinum	999.92	1011.05	1037.42	1048.55	1074.92
CPAN23	COMEX Copper	3.47	3.51	3.57	3.61	3.68
PAAM23	COMEX Palladium	1363.80	1377.60	1404.80	1418.60	1445.80

Calculations based on previous session. Data collected 05/24/2023

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