



DAILY METALS COMMENTARY

Thursday January 04, 2024

PRECIOUS METALS COMMENTARY

1/4/2024

A major junction for gold, \$ action signals the trend

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):

GOLD +9.00, SILVER +0.00, PLATINUM -0.34

OUTSIDE MARKET DEVELOPMENTS: East Asian equity markets were down overnight on the downgrading of four Chinese asset management firms by Fitch. Southern and Southeast Asian equity markets were able to rise strongly. European markets eked out gains early this morning as CPI data came in below estimates and Service PMIs managed to come in higher than the market expected. The overnight session started out with rises in both the Japanese and Hong Kong Manufacturing PMIs, before Caixin announced a better-than-expected rise in their Chinese Service PMI. The Eurozone Service PMI came in above estimates at 48.8. UK M4 Money Supply dropped again this month as high interest rates continue to force home buyers to put down larger deposits on home purchases, taking liquidity out of the market. The North American session will start with the Challenger job cuts survey followed by the December ADP employment survey which is expected to have a modest uptick from November's 103,000 reading. A weekly reading on initial jobless claims is forecast to have a mild downtick from the previous 218,000 reading. Ongoing jobless claims are expected to have a modest weekly increase from the previous 1.875 million reading. A December reading on the US services PMI is forecast to have a mild uptick from November while the December Canadian services PMI is expected to have a modest downtick from November. Earnings announcements include Walgreens Boots Alliance and ConAgra Brands before the Wall Street opening.



MARKET FUNDAMENTALS: The weakening dollar gives the gold bulls the upper hand this morning. Although the depth of this bull move is questionable as many bond traders have cut their March rate cut probabilities to 70%, from 85%, sending US rates higher. With other nations potentially cutting interest rates more aggressively than the Fed, the dollar is at risk of staying stronger than expected, putting pressure on gold prices, even despite potential rate cuts. Gold bulls must take this shift in timing and probabilities seriously. On the supply side, Gold Fields announced the suspension of gold mining at Deep South, the third largest gold mine in the world, after a miner was killed in an accident. Costco has reported that it has sold about \$100mn worth of physical gold to its members in the past quarter, as many investors shift their purchases to physical bullion, and away from ETFs. Silver prices bounced slightly following yesterday's big drop below its trendline. Silver demand is now expected to rise this year on the back of demand for solar paneling, according to Bloomberg who cited rises in solar demand as outpacing drops in demand for silver from silver intensive consumer electronic goods. Gold continues to move towards its trendline support level, now around \$2033. While the 50-day moving average support level now stands at \$2020, Make no mistake about it today is "moving day" with the action into the close today very likely a VALUABLE 1st quarter trend signal.

TODAY'S MARKET IDEAS:

While the path of least resistance remains down in gold and silver from significant chart damage yesterday and dominating bearish outside market action, today offers the potential for a 1st quarter trend signal. Ordinarily we would suggest a three-day washout of \$60 would balance the overbought technical condition in gold, but as mentioned already, the net spec and fund long as of the high last week was very burdensome and therefore the market is vulnerable to stop loss selling. Near-term downside targeting in February gold is \$2,029.20 while near-term downside targeting in March silver is \$22.80. However, a trade in the Dollar below 101.72 could suddenly shift control back to the bull camp. In conclusion, gold bulls need a soft take away from an avalanche of US jobs

data.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None

COPPER COMMENTARY

1/4/2024

The bias is down tech and fundamental

GENERAL: China has been hit with another round of downgrades, with four large asset managers being downgraded by Fitch overnight. This put pressure on Chinese risk assets early in the overnight session, and gave copper bears the green light to sell the rallies this morning. The news out of China overnight was worrying as Chinese hiring salaries dropped by their largest margin ever, putting into question a rebound in domestic demand. At the same time the Chinese Service PMI came in above estimates, rising to 52.9, its highest level in five months. This along with an expected large increase in Chinese fiscal spending this year, give copper bulls hope for a rebound in underlying demand. On the supply side, copper miners continue to curtail production as Codelco, the world's largest copper miner, reported an 11% drop in copper production from last month. The bulls are trying to get copper prices back above their 50-day moving average, with the closest support level now at yesterday's low of \$3.83.



MARKET IDEAS:

While we were skeptical of the December copper rally, we were wrong about the market's ability experience sustained short covering gains. However, with the last COT report showing the net spec and fund short in copper coming down significantly and the copper market from the last COT positioning report gaining seven cents into last week's high, the copper market might have the second largest net spec and fund long since January of last year! In the end, copper is likely to trade in sync with global equity markets especially the Chinese markets. Therefore, we give the edge to the bear camp again today.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

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 (FEB) 01/04/2024: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next upside target is 2088.5. The next area of resistance is around 2066.8 and 2088.5, while 1st support hits today at 2030.8 and below there at 2016.6.

COMEX SILVER (MAR) 01/04/2024: The close below the 60-day moving average is an indication the longer-term

trend has turned down. A crossover down in the daily stochastics is a bearish signal. 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 defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside target is now at 22.452. The next area of resistance is around 23.667 and 24.261, while 1st support hits today at 22.763 and below there at 22.452.

COMEX PLATINUM (APR) 01/04/2024: Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. A negative signal for trend short-term was given on a close under the 9-bar moving average. The close below the 1st swing support could weigh on the market. The next downside target is now at 961.68. Short-term indicators on the defensive. Consider selling an intraday bounce. The next area of resistance is around 997.35 and 1011.87, while 1st support hits today at 972.25 and below there at 961.68.

COMEX COPPER (MAR) 01/04/2024: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close below the 9-day moving average is a negative short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The next downside target is now at 3.82. The next area of resistance is around 3.89 and 3.91, while 1st support hits today at 3.85 and below there at 3.82.

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 | | | | | | | | | | |
| GCEG24 | 2048.8 | 46.71 | 50.83 | 67.31 | 67.38 | 2066.00 | 2066.59 | 2048.96 | 2029.69 | 2014.55 |
| SIEH24 | 23.215 | 30.96 | 38.39 | 57.70 | 48.67 | 23.89 | 24.27 | 23.98 | 24.01 | 23.78 |
| PLAJ24 | 984.80 | 53.95 | 56.56 | 83.54 | 74.86 | 1004.45 | 998.19 | 971.97 | 941.81 | 932.60 |
| CPAH24 | 3.87 | 46.94 | 51.05 | 71.06 | 62.83 | 3.89 | 3.91 | 3.87 | 3.81 | 3.76 |
| PAAH24 | 1071.09 | 38.73 | 44.67 | 63.84 | 52.02 | 1101.48 | 1159.09 | 1113.61 | 1078.88 | 1096.07 |

Calculations based on previous session. Data collected 01/03/2024

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 | | | | | | |
| GCEG24 | COMEX Gold | 2016.5 | 2030.8 | 2052.5 | 2066.8 | 2088.5 |
| SIEH24 | COMEX Silver | 22.451 | 22.762 | 23.356 | 23.667 | 24.261 |
| PLAJ24 | COMEX Platinum | 961.67 | 972.25 | 986.77 | 997.35 | 1011.87 |
| CPAH24 | COMEX Copper | 3.81 | 3.84 | 3.86 | 3.89 | 3.91 |
| PAAH24 | COMEX Palladium | 1046.55 | 1058.59 | 1071.55 | 1083.59 | 1096.55 |

Calculations based on previous session. Data collected 01/03/2024

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.