



DAILY METALS COMMENTARY

Monday May 20, 2024

PRECIOUS METALS COMMENTARY

5/20/2024

Bull control but volatility could become severe

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

GOLD +26.50, SILVER +0.09, PLATINUM -0.08

OUTSIDE MARKET DEVELOPMENTS: Global equity markets overnight were higher with Tokyo posting the largest with a gain of 0.8%. Critical economic developments overnight included no change in interest rates by the People Bank of China, holidays in Switzerland, Germany, and France, a slight moderation of GBP Right move House Price Index readings for May, and a sharp decline in the March Japanese Tertiary Industry Index. The only top-tier North American data point was an April reading on leading indicators which was lower than trade forecasts. The Fed's Bowman said that US inflation will remain elevated for some time, and we have not seen further progress on inflation this year. US equity markets rallied late to finish with mixed results as the Nasdaq stayed in negative territory. Treasuries were unable to shake off early pressure and closed with moderate losses while the Dollar turned lower at midsession and finished with a mild loss. The Asian session will have the latest rate decision by the People's Bank of China. Both the European and North American session will be relatively quiet data-wise. Fed Vice Chair Barr, Fed Vice Chair Jefferson, Fed Governor Waller, and Atlanta Fed President Bostic will speak during morning US trading hours. Earnings announcements include Palo Alto Networks after the Wall Street close.



MARKET FUNDAMENTALS: With an overnight explosion in prices gold reached a new all-time high while silver posted explosive gains and the highest price since February 2013! With the battle heating up in Gaza, a slight shift in the US Fed policy pendulum in favor of the doves last week, and a strong close last week on rising open interest should leave gold in a position to forge even higher all-time highs. However, the silver market could become the sleeper market as a cheap gold substitute especially with a surprise upside extension overnight and given silver is significantly cheaper than gold, and with silver still well below all-time high levels above \$50 from decades ago. Certainly, both gold and silver are seeing their net spec and fund long positioning expand rapidly. However, recent COT positioning in gold was only at two-year highs! On the other hand, from the COT report into the high Friday June gold has added \$84 per ounce which could put the net spec and fund long at the highest in four years. For the net spec and fund long to reach two-year highs requires an addition of 60,000 long contracts! Gold positioning in the Commitments of Traders for the week ending May 14th showed Managed Money traders are net long 172,942 contracts after net buying 9,810 contracts. Non-Commercial & non-reportable traders are net long 260,404 contracts after net buying 6,752 contracts. Comparatively, the silver market net spec and fund long has only posted 3-year highs and given the post COT report rally of nearly \$4.00 per ounce, the net spec and fund long in Silver is likely targeting the next key speculative overbought positioning level of 104,508 contracts from February of 2020 which compares to the all-time high of 118,943 contracts posted back in April 2017. The Commitments of Traders report for the week ending May 14th showed Silver Managed Money traders added 6,707 contracts to their already long position and are now net long 41,621. Non-Commercial & non-reportable traders are net long 77,626 contracts after net buying 7,469 contracts. The Commitments of Traders report for the week ending May 14th showed Platinum Managed Money traders net bought 13,533 contracts and are now net long 18,969 contracts. Non-Commercial & non-reportable traders were net long 32,095 contracts after increasing their already long position by 11,385 contracts. Palladium positioning in the Commitments of Traders for the week ending May 14th showed Managed Money traders added 53 contracts to their already short position and are now net short 11,866. Non-Commercial & non-reportable traders net bought 353 contracts and are now net short 10,213 contracts.

TODAY'S MARKET IDEAS:

The bull camp retains control with the silver market potentially taking the leadership role as it plays catch up to gold. While silver prices posted a high of \$49.52 in 2011, the record high of \$50.36 (basis the monthly nearby charts) was the result of the most historic inflationary period of modern trading. Despite four decades of market analysis, we have difficulty pinpointing the exact bullish theme operating in precious metal markets. However, there is certainly an inflationary influence which does not appear to have reached the runaway inflation seen in the 1980s run. We also note that gold and silver have been relatively insensitive to classic "flight to quality" influences over the last several decades, but that bullish theme is certainly part of the current equation. In fact, flight to quality issues are numerous but have been partially discounted due to fatigue. The flight to quality themes are the war in Ukraine, fighting in the Middle East, economic tensions between the US and China, a severe geopolitical disaster unfolding in the US government, and perhaps most significantly, the runaway US deficit which we think the markets have no real grasp on the exact tally! The path of least resistance remains up but markets with large speculative positions, in record price territory and in the face of major world events are likely to become hyper volatile. Option premiums are expensive but given the potential for circuit breaker moves in either direction, expensive options might be worth the cost. First upside targeting in July silver is the high from January 2013 at \$33.38 with major trendline support way down on the charts at \$28.09 and with suspect support point closer to the market at \$31.85. In the gold market fresh record highs leave the old high at \$2,448.80 as first support with a range count from the last two months consolidation project prices up to \$2600.

NEW RECOMMENDATIONS:

None

PREVIOUS RECOMMENDATIONS:

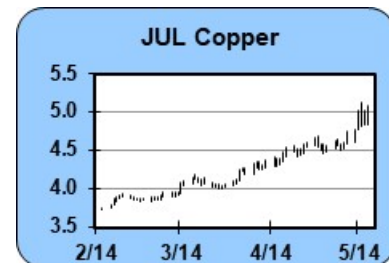
None.

COPPER COMMENTARY

5/20/2024

Upside momentum and widespread bullishness equals volatility

GENERAL: Despite some wild two-sided trade last week that gave off the impression of a blowoff top, the July copper contract recovered and closed just under the contract high of \$5.1280 setting the table for this morning's new record high. Clearly, the trade is fully embracing long term structural tightness fear, with users, speculators, fund managers and perhaps the Chinese government all scrambling to secure supply. However, despite the explosion in prices, LME and Shanghai copper warehouse stocks have not plummeted indicating a race for deliverable supply. On the other hand, last week LME copper was reportedly beginning to flow to the CME indicative of some arbitrage. However, until the high prices start pulling in significant copper, the bull camp should control. The COT positioning report in copper posted the largest net spec and fund long since December 2020 and given the post COT report rally of \$0.20 copper is likely at a new record long! The May 14th Commitments of Traders report showed Copper Managed Money traders are net long 72,785 contracts after net buying 6,819 contracts. Non-Commercial & non-reportable traders were net long 69,436 contracts after decreasing their long position by 73 contracts.



MARKET IDEAS:

While the overnight range up move to fresh record highs favors the bull camp, the aggressive rejection of the \$5.28 level and the setback of \$0.13 from the early high can be a classic technical sign of a blowoff top. However, a similar pattern surfaced last week and was easily overcome the next day! As in the precious metal markets, we expect more upside in copper but also expect historic volatility to roil the market. With many seeing the current rally as a short squeeze, others thinking it is a response to a severe shortage and speculators likely to chase the market higher, the preferred positioning is long futures with some form of leveraged option protection.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 5/7/2024 - 5/14/2024						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Metals						
Copper	61,841	-335	-69,437	+71	7,595	+262
Gold	232,750	+6,630	-260,404	-6,752	27,654	+122
Palladium	-10,859	+198	10,213	-353	646	+155
Platinum	28,396	+12,429	-32,097	-11,386	3,699	-1,044
Silver	54,959	+6,196	-77,626	-7,470	22,667	+1,273

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) 05/20/2024: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market's close above the 2nd swing resistance number is a bullish indication. The near-term upside objective is at 2456.7. The next area of resistance is around 2443.4 and 2456.7, while 1st support hits today at 2397.4 and below there at 2364.6.

COMEX SILVER (JUL) 05/20/2024: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. A positive signal for trend short-term was given on a close over the 9-bar moving average. There could be more upside follow through since the market closed above the 2nd swing resistance. The near-term upside objective is at 33.387. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 32.855 and 33.387, while 1st support hits today at 30.745 and below there at 29.168.

COMEX PLATINUM (JUL) 05/20/2024: Rising stochastics at overbought levels warrant some caution for bulls. The market's short-term trend is positive on the close above the 9-day moving average. A positive setup occurred with the close over the 1st swing resistance. The next upside objective is 1127.32. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 1115.65 and 1127.32, while 1st support hits today at 1077.15 and below there at 1050.33.

COMEX COPPER (JUL) 05/20/2024: The crossover up in the daily stochastics is a bullish signal. Rising stochastics at overbought levels warrant some caution for bulls. The close above the 9-day moving average is a positive short-term indicator for trend. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The near-term upside target is at 5.26. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 5.20 and 5.26, while 1st support hits today at 4.97 and below there at 4.79.

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										
GCEM24	2420.4	68.19	64.60	67.94	83.03	2389.10	2361.92	2345.10	2317.17	2272.75

SIEN24	31.800	88.15	81.89	78.87	92.19	30.03	28.95	28.09	27.40	26.58
PLAN24	1096.40	88.93	80.79	89.91	93.43	1070.65	1029.38	987.79	961.20	950.47
CPAN24	5.08	80.64	77.59	73.91	78.14	4.95	4.77	4.67	4.40	4.28
PAAM24	1010.80	58.15	54.13	57.92	71.10	1001.65	984.60	975.54	1007.20	1006.01

Calculations based on previous session. Data collected 05/17/2024

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						
GCEM24	COMEX Gold	2364.5	2397.3	2410.6	2443.4	2456.7
SIEN24	COMEX Silver	29.167	30.745	31.277	32.855	33.387
PLAN24	COMEX Platinum	1050.32	1077.15	1088.82	1115.65	1127.32
CPAN24	COMEX Copper	4.78	4.96	5.02	5.20	5.26
PAAM24	COMEX Palladium	973.77	995.05	1005.27	1026.55	1036.77

Calculations based on previous session. Data collected 05/17/2024

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