



DAILY METALS COMMENTARY Thursday December 15, 2022

PRECIOUS METALS COMMENTARY

12/15/2022

Escalating economic uncertainty from rates in China lift the \$

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

GOLD -33.40, SILVER -0.09, PLATINUM -2.68

OUTSIDE MARKET DEVELOPMENTS: Global equity markets overnight were all lower with declines reaching 1.2% in Spain. Critical economic news released overnight included stronger than expected Australian employment gains, unchanged Australian unemployment rate, a 1.6% decline in Chinese house prices, a much softer than expected Chinese industrial production reading for November, significantly weaker than expected Chinese retail sales readings for November, a significant decline in German wholesale price index readings, a slight improvement in French business climate in manufacturing readings and a slight dip in French consumer price index readings for November. It should be noted that the Swiss national Bank, the Bank of England, and the European Central Bank will all be making interest rate decisions this morning! The North American session will start out with November Canadian housing starts which are forecast to have a modest decline from their October annualized rate. A weekly reading on US initial jobless claims is expected to have a minimal uptick from the previous 230,000 reading. Ongoing jobless claims are forecast to have a modest weekly increase from the previous 1.671 million reading. November retail sales are expected to have a moderate downtick from October's 1.3% reading. The Philly Fed December manufacturing survey is forecast to have a moderate uptick from November's -19.4 reading. The New York Fed's December Empire State survey is expected to have a mild downtick from November's 4.5 reading. November industrial production is forecast to have a modest uptick from October's -0.1% reading, while November capacity utilization is expected to have a modest downtick from October's 79.9% reading. October business inventories are forecast to hold steady with September's 0.4% reading. Earnings announcements will include Adobe after the Wall Street close.



GOLD / SILVER

While we think the magnitude of the declines in gold and silver prices this morning is exaggerated given fundamental developments the markets were short-term overbought prior to yesterday's US rate hike decision. In addition to a precious metal negative environment from the barrage of anticipated rate hikes, the dollar has recovered and is applying additional pressure to gold and silver prices this morning. However, the gold market should draft support from a large 153,583-ounce inflow to gold ETF holdings yesterday, with that inflow the 3rd straight daily build. Unfortunately for the bull camp in silver, ETF holdings of silver yesterday declined by 1.7 million ounces and that decline was the 3rd straight daily decline. Adding into the downward motion in precious metal and other physical commodity markets this morning is a deteriorating view toward the Chinese economy after Chinese economic data overnight highlighted an economy already contracting sharply. Furthermore, headlines regarding the explosion of Chinese infections suggest activity going forward is likely to slow even further. Not surprisingly, Indian buyers stepped back from the gold market overnight citing expensive prices and fear of rising rates. In the end, a paradigm shift might be nearing for gold and silver but residual headwinds from the uncertainty in the global economy in the short-term gives the bear camp the edge. With uptrend channel support in February gold violated the next downside target in February gold is the December consolidation low down at \$1778.10. Not surprisingly, the breakneck gains in silver have resulted in a very aggressive corrective setback today with investors potentially losing their appetite for the metal above \$24.00. We suspect the deterioration in the Chinese economy and concerns of additional economic headwinds from global rate hikes has also downshifted physical demand hopes for silver. Initial downside targeting in silver today is \$22.895.

PLATINUM

Even though the palladium market failed to rally as much as other precious metal markets over the first 3 weeks of December, the market is under spillover pressure from the reversal of psychology in the metals markets and from distinctly negative outside market influences. In an indirect and longer-term negative impact, the significant signs of slowing in Chinese economic data overnight combined with the explosive infection wave is a serious threat to Chinese auto consumption and therefore a threat again demand for auto catalyst inputs like palladium. Fortunately for the bull camp the most recent COT positioning report showed Palladium with a net spec and fund short position of 1225 contracts which could temper the downside action and increase the odds of respecting early December consolidation low support down at \$1842.80. On one hand, the setback in platinum prices this morning is clearly justified by the pressure flowing from macro-economic developments, but with platinum recently posting a moderate rally off the early December low, the declines this morning could have been even more significant. Adding into the negative fundamental headline flow is news that platinum ETF holdings yesterday declined by 1,439 ounces and are now 16% lower year-to-date. With a recent consolidation at \$1,001.60 odds are good that platinum can escape the current commodity downdraft without severe and permanent damage on the charts.

TODAY'S MARKET IDEAS:

As indicated earlier in the week we see the trends in gold, silver, and platinum shifting toward the upside. However, the outlook for the global economy has clearly stumbled in the face of a barrage of global interest rate hikes and very concerning Chinese economic data. While the flight to quality environment is not overwhelming this morning, the dollar is drafting support from that theme thereby keeping the most critical precious metal market force in favor of the bear camp.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COPPER COMMENTARY

12/15/2022

The path of least resistance is down as Chinese demand hopes plummet

GENERAL: On one hand, seeing March copper respect the \$3.80 level this morning in the face of extremely negative Chinese developments is impressive. However, the Chinese economy showed precipitous contractions in broad-based industrial measures overnight and expectations are that slowing will be compounded by the surging Covid crisis. In the end, the bullish buzz toward the Chinese re-opening of their economy has evaporated and the positive risk on mentality from the downtick in US and UK inflation is more than offset by the barrage of rate hikes expected today from global central banks. Unfortunately for the bull camp, the Chilean state copper production agency yesterday pegged their output to grow 7.5% next year. On the other hand, the Chilean national copper company also announced their 2022 copper production was set to contract by 5.8%. Today LME copper warehouse stocks declined by 1800 tons.



MARKET IDEAS:

We are surprised that March copper prices have not knifed through close in consolidation support in the wake of a serious deterioration in the outlook for Chinese copper demand. However, sellers should be patient with fresh shorts as a round of rate hikes today, a further strengthening dollar and a strong likelihood of very concerning Covid headlines from China should ultimately allow the bear camp to prevail. Close in support is seen at \$3.7860 but bearish fundamentals should overcome technical support on the charts.

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) 12/15/2022: Momentum studies are trending higher but have entered overbought levels. The market's short-term trend is positive on the close above the 9-day moving average. The market's close below the pivot swing number is a mildly negative setup. The next upside target is 1850.7. The next area of resistance is around 1843.0 and 1850.7, while 1st support hits today at 1824.6 and below there at 1813.9.

COMEX SILVER (MAR) 12/15/2022: 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside target is at 24.722. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 24.500 and 24.722, while 1st support hits today at 23.830 and below there at 23.383.

COMEX PLATINUM (JAN) 12/15/2022: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's short-term trend is positive on the close above the 9-day moving average. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside objective is at 1057.32. The next area of resistance is around 1047.14 and 1057.32, while 1st support hits today at 1027.45 and below there at 1017.93.

COMEX COPPER (MAR) 12/15/2022: Momentum studies are trending higher but have entered overbought levels. The market's close above the 9-day moving average suggests the short-term trend remains positive. The close over the pivot swing is a somewhat positive setup. The next upside target is 3.92. The next area of resistance is around 3.89 and 3.92, while 1st support hits today at 3.83 and below there at 3.79.

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										
GCEG23	1833.8	63.04	62.52	75.42	78.59	1826.90	1817.37	1799.66	1748.62	1738.79
SIEH23	24.165	72.79	69.84	81.06	87.11	23.82	23.27	22.40	21.02	20.70
PLAF23	1037.30	58.31	57.78	52.17	57.69	1030.23	1019.61	1012.84	978.96	956.14
CPAH23	3.85	61.35	60.50	76.29	78.60	3.84	3.84	3.75	3.62	3.57
PAAH23	1922.10	51.58	49.74	45.20	53.67	1927.93	1901.19	1889.31	1944.51	2004.47

Calculations based on previous session. Data collected 12/14/2022

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						
GCEG23	COMEX Gold	1813.9	1824.6	1832.3	1843.0	1850.7
SIEH23	COMEX Silver	23.382	23.830	24.052	24.500	24.722
PLAF23	COMEX Platinum	1017.92	1027.45	1037.62	1047.14	1057.32
CPAH23	COMEX Copper	3.78	3.82	3.85	3.89	3.92

PAAH23 COMEX Palladium 1895.30 1908.60 1922.30 1935.60 1949.30

Calculations based on previous session. Data collected 12/14/2022

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