



## DAILY METALS COMMENTARY

Thursday January 18, 2024

### PRECIOUS METALS COMMENTARY

1/18/2024

The bias is down as \$/Treasuries continues to weigh

#### OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

**GOLD +5.00, SILVER +0.00, PLATINUM +0.55**

**OUTSIDE MARKET DEVELOPMENTS:** Global equity markets overnight were mostly higher except for the markets in Spain, UK, Australia, and Japan which traded fractionally lower. Apparently, global markets were unfazed by hawkish comments from the ECB suggesting the markets should not expect a rate cut until summer. Critical economic news released overnight included a noted loss of jobs in Australia for December, a much weaker than expected Japanese industrial production reading for November, and softer than expected euro zone construction output readings for November. The North American session will start out with a weekly reading on initial jobless claims which are expected to have a mild increase from the previous 202,000 reading. Ongoing jobless claims are forecast to have a minimal weekly increase from the previous 1.835 million reading. December US housing starts are expected to have a moderate downtick from November's 1.560 million reading, while December US building permits are forecast to have a minimal uptick from November's 1.467 million reading. The January Philly Fed manufacturing survey is expected to have a modest uptick from December's -10.5 reading. Atlanta Fed President Bostic will speak during morning US trading hours. Earnings announcements will include Truist Financial, Fastenal and Northern Trust before the Wall Street opening.



**MARKET FUNDAMENTALS:** While February gold did not post a lower low trade overnight, fundamental developments favor more declines and a trade below \$2000. In addition to hawkish ECB dialogue predicting no rate cuts until summer, expectations for a US cut have been pushed further into the future with US data continuing to signal an economy holding together which in turn has been accompanied by a consistent reduction in the probability of a first quarter US rate cut. However, the bull camp should get some credit for prices tracking in positive territory this morning especially with the Chinese Premier discounting the prospects of stimulus package from the government. Unfortunately for the bull camp, seeing gold prices hold up in the face of a patently bearish environment is unlikely to signal a bottom. In fact, if today's US initial claims reading matches or comes in below last week's reading (specifically below 200,000) the prospect of a first quarter US rate cut should be driven even lower, the dollar and interest rates should rise, and we see February gold dipping below \$2000. Furthermore, if the US dollar post a higher high for the move March bonds trade below 120-12, the February gold contract looks headed for a retest of the early December low down at \$1,987.90. In fact, if the two dominating outside market influences of rates and the dollar continue to apply headwinds, additional waves of aggressively stop loss selling are likely as the last COT positioning report showed a very overbought net spec and fund long in gold! Currently, the gold market is not showing sensitivity to classic flight to quality events as the market fell sharply yesterday in the face of Iranian missile attacks on targets inside Pakistan. Therefore, it might take direct confrontation between the US and Iranian militaries to switch on safe haven gold buying. Near-term downside targeting in February gold is \$1,997.60 and then down at \$1,987.90. Near-term downside targeting in March silver is \$22.63 and then down at \$22.57.

#### TODAY'S MARKET IDEAS:

With the prospects of a first quarter US rate cut all but dissipated, the dollar seemingly into an uptrend and treasury yields at the highest levels since the middle of December the bear camp clearly retains control over the most important outside market forces. In fact, if US initial claims forge a downside breakout below 200,000, that could be the death knell for a first quarter US rate cut and in turn that should launch the dollar toward the December highs which would then project February gold down to \$1,950. From a shorter-term perspective, we

see near-term downside targeting in February gold at \$1,997.60 and then down at \$1,991.20. Near-term downside targeting in March silver is \$22.63 and then down at \$22.57.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

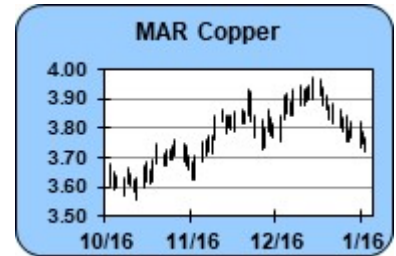
None

**COPPER COMMENTARY**

1/18/2024

**Growing economic concern in China emboldens sellers and scares buyers**

**GENERAL:** With March copper prices sitting just above 2 1/2 month lows this morning in the face of an 18.2% increase in December Chinese copper concentrate imports, the trade is clearly looking forward to soft Chinese copper demand instead of looking backward to history. Therefore, the copper trade appears to be fully embracing the view that the Chinese will not offer up a major stimulus package this year. Apparently, the Chinese premier "played down the idea of a large stimulus package overnight" which leaves the bull camp fearful of sagging copper consumption by the world's largest user. Even the supply side of the equation produced bearish news overnight with BHP Group LTD posting an increase in quarterly copper production of 12,000 tons versus year ago levels. Fortunately for the bull camp, HSBC copper revised its copper price forecast upward and expects the world copper market to remain in a deficit because of lingering Central and South American production issues. Previously, HSBC projected a 2024 surplus. In conclusion, the Chinese economy remains hostage to serious troubles in the property sector and Chinese leadership does not appear to be in a proactive position to support their economy.



**MARKET IDEAS:**

The path of least resistance is down in copper with copper demand concerns remaining in place despite a favorable Chinese copper concentrate import tally from December. Unfortunately for the bull camp the Chinese government is clearly not on the cusp of offering up a major stimulus package which should result in copper posting lower lows and retesting the \$3.70 consolidation low zone. Even LME copper warehouse stocks news shifted negative overnight with pattern breaking inflow of 3,250 tons overnight. Prior to today's inflow LME copper warehouse stocks were at the lowest level since September 20th and had not had a daily inflow since December 29th. At present, we will not rule out a test of the sub \$3.70 price level today and suggest that an upcoming bottom will likely be a very volatile event starting from much lower levels!

**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) 01/18/2024: The close under the 60-day moving average indicates the longer-term trend could be turning down. 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 market's close below

the 1st swing support number suggests a moderately negative setup for today. The next downside objective is now at 1983.2. The next area of resistance is around 2024.6 and 2046.1, while 1st support hits today at 1993.2 and below there at 1983.2.

COMEX SILVER (MAR) 01/18/2024: 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 objective is 22.350. The next area of resistance is around 22.939 and 23.249, while 1st support hits today at 22.490 and below there at 22.350.

COMEX PLATINUM (APR) 01/18/2024: Daily stochastics are trending lower but have declined into oversold territory. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is now at 869.53. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 902.45 and 916.12, while 1st support hits today at 879.15 and below there at 869.53.

COMEX COPPER (MAR) 01/18/2024: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 3.70. The next area of resistance is around 3.76 and 3.79, while 1st support hits today at 3.72 and below there at 3.70.

## DAILY TECHNICAL STATISTICS

|                       | CLOSE  | 9 DAY<br>RSI | 14 DAY<br>RSI | 14 DAY<br>SLOW<br>STOCH D | 14 DAY<br>SLOW<br>STOCH K | 4 DAY<br>M AVG | 9 DAY<br>M AVG | 18 DAY<br>M AVG | 45 DAY<br>M AVG | 60 DAY<br>M AVG |
|-----------------------|--------|--------------|---------------|---------------------------|---------------------------|----------------|----------------|-----------------|-----------------|-----------------|
| <b>METALS COMPLEX</b> |        |              |               |                           |                           |                |                |                 |                 |                 |
| GCEG24                | 2008.9 | 33.91        | 40.20         | 26.96                     | 18.43                     | 2031.80        | 2036.73        | 2051.70         | 2036.00         | 2029.16         |
| SIEH24                | 22.715 | 33.66        | 37.50         | 19.04                     | 14.11                     | 22.95          | 23.09          | 23.68           | 23.97           | 23.82           |
| PLAJ24                | 890.80 | 21.72        | 31.65         | 13.41                     | 6.10                      | 908.98         | 934.06         | 966.12          | 944.19          | 937.69          |
| CPAH24                | 3.74   | 34.51        | 40.09         | 14.53                     | 10.10                     | 3.76           | 3.78           | 3.84            | 3.82            | 3.78            |
| PAAH24                | 919.70 | 20.94        | 29.41         | 9.64                      | 5.03                      | 954.83         | 985.00         | 1071.97         | 1055.49         | 1070.56         |

Calculations based on previous session. Data collected 01/17/2024

Data sources can & do produce bad ticks. Verify before use.

## DAILY SWING STATISTICS

| Contract              |                 | Support 2 | Support 1 | Pivot  | Resist 1 | Resist 2 |
|-----------------------|-----------------|-----------|-----------|--------|----------|----------|
| <b>METALS COMPLEX</b> |                 |           |           |        |          |          |
| GCEG24                | COMEX Gold      | 1983.1    | 1993.1    | 2014.6 | 2024.6   | 2046.1   |
| SIEH24                | COMEX Silver    | 22.349    | 22.489    | 22.799 | 22.939   | 23.249   |
| PLAJ24                | COMEX Platinum  | 869.52    | 879.15    | 892.82 | 902.45   | 916.12   |
| CPAH24                | COMEX Copper    | 3.69      | 3.72      | 3.74   | 3.76     | 3.79     |
| PAAH24                | COMEX Palladium | 886.97    | 902.95    | 920.47 | 936.45   | 953.97   |

Calculations based on previous session. Data collected 01/17/2024

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