



DAILY METALS COMMENTARY

Friday January 19, 2024

PRECIOUS METALS COMMENTARY

1/19/2024

Relative strength in the US economy = higher \$ lower gold

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
GOLD +10.30, SILVER +0.02, PLATINUM +0.95

OUTSIDE MARKET DEVELOPMENTS: Global equity markets overnight were generally higher except for the markets in China and Spain which traded moderately lower. Critical economic news released overnight included a slower pace of visitor arrivals in New Zealand, a slight downtick in Japanese national consumer price index readings, a massive drop in German producer price index readings for December and a much softer than anticipated GBP retail sales reading for December which in turn sparked talk of a recession in the UK. The North American session will start out with November Canadian retail sales which are expected to have a moderate downtick from October's 2.2% year-over-year rate. December US existing home sales are forecast to have a minimal uptick from November's 3.82 million annualized rate. A private survey of January US consumer sentiment is expected to have a modest uptick from the previous 69.7 reading. The November Treasury International Capital (TIC) report will show net changes for Chinese and Japanese Treasury holdings. San Francisco Fed President Daly and Fed Vice Chair will speak during afternoon US trading hours. Earnings announcements will include Schlumberger, Travelers, State Street and Fifth Third Bancorp before the Wall Street opening.



MARKET FUNDAMENTALS: While the gold and silver markets are showing initial strength this morning, outside market action leaves the bear camp with a prevailing edge. In fact, despite initial weakness in the dollar, disastrous retail sales readings from the UK should leave the dollar in favor and physical commodities like gold off balance. Furthermore, US treasury yields have clawed higher this week with yields overnight reaching the highest level since December 13th. Looking ahead to today's US trade, expectations for US data also favor dollar bulls and therefore data should also favor gold and silver bears. We see value in February gold just under \$2000 and suggest those long the market will need stops at \$1987.90, which suggests being long at this morning's levels is inadvisable. From a longer-term perspective the World Gold Council report on the 2023 Chinese gold market should lend some support to gold as the Chinese central bank remained in a gold reserve building pattern and hope of recovering Chinese growth this year and last year's record (nearly \$80 per ounce) domestic gold premium suggest gold will at least see steady Chinese retail demand this year. In fact, it should be noted that gold outperformed the RMB, which should also help underpin gold around the \$2000 per ounce level. In our opinion, it was surprising to see gold respect the Wednesday low yesterday given generally positive dollar trading and a slight uptick in US treasury yields. However, it is possible that growing signs of a stable but slow growing US economy is beginning to temper what has become very bearish physical commodity market sentiment. On the other hand, we think the gains in gold and silver prices yesterday were largely the result of the compacted oversold technical condition into the Wednesday low and not a sign of bottom picking. Fortunately for the bull camp in gold and silver, hope for a US first quarter rate cut has not been totally extinguished but given the flow of positive US economic data from jobs to retail sales over three weeks, we think the trend will remain up in the dollar and US treasury yields. Furthermore, the gold market likely remains moderately overbought in spec and fund categories, especially with February gold into this week's lows only \$31 an ounce below the level where the last positioning report was measured. Even though the gold market has not been treated like a classic physical commodity for the last several years, news that South African November gold mining output inclined by 3% should lend some support. In the end, we leave the edge with the bear camp unless a major incident unfolds in the Middle East involving direct military exchanges between official US and Iranian forces. Therefore, we expect a violation of the \$2,000 level to end the trading week with support and targeting pegged at \$1,992.30 in the

February gold contract.

TODAY'S MARKET IDEAS:

Fortunately for the bull camp, another wave of better-than-expected US jobs data did not throw the dollar and US treasury yields sharply higher yesterday. However, the trend of positive US scheduled data should continue to underpin the dollar, continue to bring down the prospects of a first quarter US rate cut which in turn has resulted in treasury yields climbing up to the highest level since early December. As indicated already, we expect February gold to fall below \$2,000 on a simple continuation of this week's pro-US growth news and from very disappointing UK economic news. Downtrend channel selling resistance in February gold today is \$2054.90, with that short entry resistance line falling to \$2051.85 on Monday.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

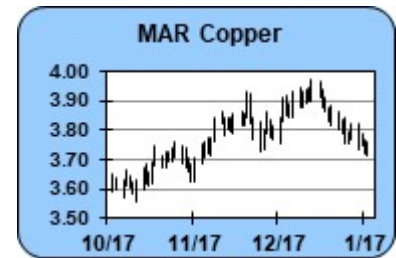
None

COPPER COMMENTARY

1/19/2024

Today's recovery offers a fresh short opportunity

GENERAL: The copper market continues to track opposite of classic daily fundamental developments, with prices today rising despite a second consecutive build in daily LME copper warehouse stocks and even more surprisingly in the face of a third straight week of large Shanghai copper warehouse stock inflows. In fact, Shanghai copper warehouse stocks have now increased nearly 16,000 tons in three weeks and in the process, inventories have nearly doubled from levels seen in December! However, copper demand hope has been stoked by consistent signs the US economy is holding together, overnight news that Ukraine copper imports in 2023 increased by 120% and from a significant 16.6% jump in Chinese December refined copper output. On the other hand, it should be noted that signs of softening demand at European refiners tempers global copper demand prospects early today and copper is likely to continue to see headwinds from action in the dollar and US treasuries.



MARKET IDEAS:

While we see the fundamental and technical path of least resistance pointing down in copper, further short covering gains are likely today if the positive finish to the week in global equities results in a risk on day in US equities. However, the copper charts are definitively bearish with the late December and January downward channel very uniform and entrenched. While we see March copper at a reasonable short sale price early today, to mitigate risk traders should wait for a rally above \$3.8020 to implement fresh shorts.

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) 01/19/2024: Daily stochastics are trending lower but have declined into oversold territory. The close below the 9-day moving average is a negative short-term indicator for trend. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside target is now at 2003.2. The next area of resistance is around 2033.5 and 2038.1, while 1st support hits today at 2016.1 and below there at 2003.2.

COMEX SILVER (MAR) 01/19/2024: Momentum studies are declining, but have fallen to oversold levels. A negative signal for trend short-term was given on a close under the 9-bar moving average. The daily closing price reversal up is a positive indicator that could support higher prices. The close over the pivot swing is a somewhat positive setup. The next downside target is now at 22.420. The next area of resistance is around 23.080 and 23.180, while 1st support hits today at 22.700 and below there at 22.420.

COMEX PLATINUM (APR) 01/19/2024: 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. There could be more upside follow through since the market closed above the 2nd swing resistance. The next downside objective is now at 882.88. The next area of resistance is around 928.84 and 935.87, while 1st support hits today at 902.35 and below there at 882.88.

COMEX COPPER (MAR) 01/19/2024: Momentum studies are declining, but have fallen to oversold levels. A negative signal for trend short-term was given on a close under the 9-bar moving average. The upside daily closing price reversal gives the market a bullish tilt. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is now at 3.71. The next area of resistance is around 3.77 and 3.79, while 1st support hits today at 3.74 and below there at 3.71.

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	2024.8	42.94	45.57	24.50	19.59	2029.75	2033.83	2050.62	2037.39	2029.35
SIEH24	22.890	37.45	39.75	17.26	13.71	22.97	23.04	23.57	23.97	23.80
PLAJ24	915.60	36.28	39.94	12.49	10.87	906.78	927.89	962.11	945.48	937.66
CPAH24	3.75	36.47	40.90	12.60	9.78	3.75	3.77	3.83	3.82	3.79
PAAH24	944.00	29.99	34.44	9.07	7.93	944.83	974.47	1056.19	1054.58	1067.62

Calculations based on previous session. Data collected 01/18/2024

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	2003.1	2016.0	2020.6	2033.5	2038.1
SIEH24	COMEX Silver	22.419	22.700	22.800	23.080	23.180
PLAJ24	COMEX Platinum	882.87	902.34	909.37	928.84	935.87
CPAH24	COMEX Copper	3.70	3.73	3.74	3.77	3.79
PAAH24	COMEX Palladium	923.62	935.25	941.12	952.75	958.62

Calculations based on previous session. Data collected 01/18/2024

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.