



DAILY METALS COMMENTARY Monday January 29, 2024

PRECIOUS METALS COMMENTARY

1/29/2024

Flight to quality buying off ME and China real estate

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

GOLD +12.10, SILVER +0.02, PLATINUM -0.28

OUTSIDE MARKET DEVELOPMENTS: Global equity markets overnight were mixed with weakness in China extending into the new trading week. Economic news overnight and a significant jump in the Italian trade with non-EU members for the month of November. The North American session will only have one top-tier data point, the Dallas Fed's January manufacturing business Index will reading. Earnings announcements will include Nucor, Cleveland-Cliffs and Whirlpool after the Wall Street close.



MARKET FUNDAMENTALS: With a three-day high and a developing pattern of higher highs and higher lows, the technical picture for gold has improved. However, with a stronger Dollar to start, the positive start in gold and silver might indicate the metals are embracing flight to quality uncertainty from China which saw a major property company forced by a Hong Kong Court to liquidate its assets. The markets continue to see chatter regarding rate cuts from the ECB and stories suggesting the Fed is already acting which signal a pivot. Investment interest in gold remains negative with gold ETF holdings last week dropping by 338,377 ounces. However, despite a single day outflow from silver ETF holdings of 1.3 million ounces on Friday, for the week silver holdings increased by 14.2 million ounces. Fortunately for the bull camp in the gold and silver markets, last week's US inflation data was only modestly higher, and the trade quickly shaped the results into dovish news instead of hawkish views. While the CME Fed Funds Watch tool pegs the probability of a rate cut in this week's FOMC meeting at only 3.1%, the odds of a 25-basis point cut in the March FOMC meeting are less than 50-50 at 46.2%. Even though gold and silver have not responded consistently to flight to quality events, aggression in the Middle East continues to increase with Yemeni terrorists backed by Iranians attacking more ships and launching a drone which killed three US military personnel. Another flight to quality issue surfaced over the weekend following a congressional request for the FBI to investigate Gaza cease-fire protests in the US for possible links to Russia. In another supportive development from last week, Chinese physical gold premiums versus global market prices surged reportedly because of Chinese government stimulus announcements, but it is also possible Chinese investors are seeking refuge from a failure of Evergrande especially with real estate reportedly 30% of the Chinese economy. While the net spec and fund long in gold remains elevated it has been moderated slightly, the market remains vulnerable to stop loss selling especially if the 200-day moving average is violated at \$2,029.30. Initial downtrend channel resistance today is pegged at \$2,052.30. The Commitments of Traders report for the week ending January 23rd showed Gold Managed Money traders are net long 76,615 contracts after net selling 24,019 contracts. Non-Commercial & non-reportable traders net sold 15,280 contracts and are now net long 195,688 contracts. The January 23rd Commitments of Traders report showed Silver Managed Money traders net sold 9,195 contracts which moved them from a net long to a net short position of 3,165 contracts. Non-Commercial & non-reportable traders reduced their net long position by 10,477 contracts to a net long 30,246 contracts. Platinum positioning in the Commitments of Traders for the week ending January 23rd showed Managed Money traders went from a net long to a net short position of 6,824 contracts after net selling 7,505 contracts. Non-Commercial & non-reportable traders net long 14,734 contracts after decreasing their long position by 2,983 contracts. The Commitments of Traders report for the week ending January 23rd showed Palladium Managed Money traders hit a new extreme short of 11,219 contracts. Managed Money traders net sold 451 contracts and are now net short 11,219 contracts. Non-Commercial & non-Reportable traders were net short 11,104 contracts after increasing their already short position by 132 contracts.

TODAY'S MARKET IDEAS:

While it is risky to project gold and silver prices reacting to flight to quality events, a dramatic escalation in aggression in the Middle East and the reemergence of financial contagion threats inside China from the forced liquidation of one of the country's largest property developers has likely fostered gold and silver buying this morning. Furthermore, the charts this morning have shifted slightly positive and US interest rates are showing signs of softening. It should be noted that Wednesday will bring a US central bank rate decision which is likely to set the tone for many financial markets for the rest of the first quarter. However, if the situation in the Middle East bubbles and simmers instead of exploding and China moves quickly with massive stimulus efforts gains in gold and silver should be measured and perhaps limited to a recent high of \$2,057.20 in April gold and at \$22.96 in March silver. During the coming days, volatility is likely to pick up as a US Fed decision on Wednesday and the monthly US jobs report on Friday will likely rekindle debate on the timing of a US rate cut which we think has been pushed back to at least June.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None

COPPER COMMENTARY

1/29/2024

Vulnerable from renewed Chinese economic contagion concerns

GENERAL: The charts in the copper market are damaged with the soft close on Friday and more importantly with the lower low to start the new trading week. In fact, with the copper market short-term overbought from a 5-day \$0.18 rally, fresh financial contagion fears in China from the forced liquidation of major property developer Evergrande the outlook for Chinese copper demand is wounded. However, Chinese copper smelters are considering early maintenance because profit margins are extremely tight with treatment charges nearing record lows which in turn typically means lower copper concentrate loadings in March. In other words, signs of tightness in Chinese copper is offset by the news of a failure in the Chinese property sector. However, the copper market remains net spec and fund short with this week's latest readings clearly overstating the net short because of the nine-cent rally after the report was measured. The Commitments of Traders report for the week ending January 23rd showed Copper Managed Money traders net sold 5,530 contracts and are now net short 30,839 contracts. Non-Commercial & non-reportable traders are net short 27,384 contracts after net selling 4,917 contracts. Fortunately for the bull camp the Chinese have made several stimulus moves over the last two weeks and a portion of the market now expects more action from the Chinese government because of the fresh real estate problems. Unfortunately for the bull camp, there is a developing pattern of inflows to weekly Shanghai copper warehouse stocks.



MARKET IDEAS:

While the copper charts shifted bearish with a reversal late last week and followed through down this morning, Chinese copper demand prospects were temporarily improved with a series of government actions to support their economy. However, the bull camp is tripped up by renewed trouble in the Chinese property sector. A normal retracement of the January rally allows for a dip to \$3.825 without completely reversing the second half of January recovery rally. While the copper market tends to focus on China over other fundamentals and that should keep pressure on copper with a possible return to the 200-day moving average down at \$3.8070, a midweek US rate decision should ultimately grab the attention of the copper trade.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 1/16/2024 - 1/23/2024						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Metals						
Copper	-29,943	-4,560	27,382	+4,915	2,559	-357
Gold	172,403	-9,845	-195,688	+15,280	23,285	-5,435
Palladium	-11,731	-170	11,104	+133	627	+38
Platinum	7,870	-3,804	-14,735	+2,982	6,864	+821
Silver	12,657	-8,910	-30,247	+10,477	17,589	-1,567

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) 01/29/2024: 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. The daily closing price reversal down puts the market on the defensive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is now at 2007.8. The next area of resistance is around 2024.9 and 2032.7, while 1st support hits today at 2012.5 and below there at 2007.8.

COMEX SILVER (MAR) 01/29/2024: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside objective is 23.230. The next area of resistance is around 23.069 and 23.230, while 1st support hits today at 22.780 and below there at 22.650.

COMEX PLATINUM (APR) 01/29/2024: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The close above the 9-day moving average is a positive short-term indicator for trend. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The near-term upside objective is at 944.60. The next area of resistance is around 935.90 and 944.60, while 1st support hits today at 907.50 and below there at 887.80.

COMEX COPPER (MAR) 01/29/2024: Positive momentum studies in the neutral zone will tend to reinforce higher price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. It is a slightly negative indicator that the close was under the swing pivot. The next upside objective is 3.90. The next area of resistance is around 3.87 and 3.90, while 1st support hits today at 3.84 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	2018.7	42.63	44.81	24.27	23.88	2021.18	2022.80	2034.03	2041.63	2030.09
SIEH24	22.925	45.63	44.20	28.56	38.69	22.79	22.75	22.99	23.83	23.72
PLAJ24	921.70	48.51	46.71	18.79	24.05	909.05	905.80	930.49	945.85	936.64
CPAH24	3.85	57.23	54.43	48.17	65.58	3.85	3.80	3.80	3.83	3.80
PAAH24	961.40	42.95	41.63	21.07	27.62	956.20	946.20	982.11	1042.16	1048.79

Calculations based on previous session. Data collected 01/26/2024

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	2007.7	2012.4	2020.2	2024.9	2032.7
SIEH24	COMEX Silver	22.649	22.779	22.939	23.069	23.230
PLAJ24	COMEX Platinum	887.80	907.50	916.20	935.90	944.60
CPAH24	COMEX Copper	3.81	3.83	3.86	3.87	3.90
PAAH24	COMEX Palladium	930.20	947.90	957.20	974.90	984.20

Calculations based on previous session. Data collected 01/26/2024

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