



## DAILY METALS COMMENTARY Wednesday January 31, 2024

### PRECIOUS METALS COMMENTARY

1/31/2024

#### A slight upward tilt early off dovish Fed hopes

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

**GOLD +5.80, SILVER +0.00, PLATINUM +0.06**

**OUTSIDE MARKET DEVELOPMENTS:** Global equity markets overnight were mixed with Chinese markets off again with declines of 8.1%, 0.91%, and 1.48% in the Shanghai stock exchange composite. Overnight economic news of importance included softer than expected Japanese retail trade four December, softer than expected Japanese industrial production, improved New Zealand business confidence, softer than expected Australian consumer price index readings, minimally better-than-expected Chinese NBS Manufacturing PMI for January, As Expected Chinese NBS Manufacturing PMI for January, Slightly Better-Than-Expected Japanese Consumer Confidence, a Smaller Than Expected Decline in Japanese Housing Starts, Significantly Softer German Import Price Readings, a Massive Contraction in German Retail Sales of 1.6%, Another Decline in GBP Nationwide Housing Prices, a Softer Than Expected Swiss Retail Sales, a Contraction in French Consumer Price Index Readings, Positive but Softer Than the Prior Month Spanish Retail Sales, a Surprise Decline in German Unemployment in January, Continued Weakness in a Swiss ZEW survey of expectations and a noted decline in Italian unemployment for the month of December. The North American session will start out with a weekly private survey of mortgage applications followed by the January ADP employment survey which is forecast to have a moderate downtick from December's 164,000 reading. December Canadian GDP is expected to have a minimal downtick from November's 0.1% reading. The fourth quarter US employment cost index is expected to have a minimal downtick from the previous 1.1% reading. The January Chicago PMI is forecast to have a mild uptick from December's 46.9 reading. The highlight for global markets will come during early afternoon US trading hours with the results of the January FOMC meeting. No change in Fed rates or policy is expected, but post-meeting comments from Fed Chair Powell will be scrutinized for clues on upcoming Fed policy moves. Another busy day of earnings announcements will include Mastercard, Thermo Fisher Scientific, Boeing, ADP, Boston Scientific and Phillips 66 before the Wall Street opening while QUALCOMM and MetLife report after the close.



**MARKET FUNDAMENTALS:** While the charts in gold tilt in favor of the bull camp, the upward bias is likely a simple drift toward the top of the last month and half consolidation pattern. Outside market influences early today are offsetting with supportive treasuries countered by minimal strength in the dollar. The gold market is likely experiencing some headwinds following the release of the World Gold Council's latest report. In fact, global gold demand fell by 5% last year even without including the negative demand registered by outflows from ETF and OTC gold-based instruments. The decline in ETF and OTC instruments were the largest annual outflows since 2013 when gold was amid a \$640 slide. Fortunately for the bull camp, China surpassed India as the world's largest gold jewelry consumers and 2023 demand was still better than 10-year average demand despite the net contraction. It should be noted that gold jewelry fabrication is the largest demand source followed by bars and coins. Along those soft demand lines gold ETF holdings have declined for nine straight sessions while silver has notched three consecutive large daily outflows. However, the World Gold Council expects 2024 gold demand to hit a record mostly because of central bank buying. Overnight Chinese economic data showed almost no forward traction by the economy with the numbers potentially overstated to prop up domestic sentiment. In the near-term, it appears that gold has carved out gains into today's Federal Reserve meeting off the theme that the Fed will provide a generally dovish take away by acknowledging softer inflation and a measure of softening of the US economy. In fact, early today the trade will be presented with ADP employment and US employment cost index readings both of which could have an impact on Fed thinking. We suspect the gold market continues to derive a

measure of flight to quality support from those anticipating a US retaliation against those who killed US military personnel in Jordan. However, we think it is unlikely the Fed will rekindle hopes of a March US rate cut which was recently pegged at only 39% by the CME Fed Watch tool. In today's action, gold traders should look for a breakout in the dollar from a trading range defined as 103.53 on the upside and 102.915 on the downside. Uptrend channel support in April gold today is \$2,052.10 with initial resistance today at \$2,068.

**TODAY'S MARKET IDEAS:**

In our opinion, the gold market is tracking heavily off twin flight to quality issues of financial uncertainty in China and from the potential for a significant broadening of the war in the Middle East if the US and Iran exchange fire directly. At least through half of today's session, we also think the gold market will derive hope from anticipation of something dovish from the US Federal Reserve meeting which might come in the form of Fed acknowledgment of US slowing and declining inflation. Uptrend channel support in April gold today is \$2,052.10 with initial resistance today at \$2,068.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

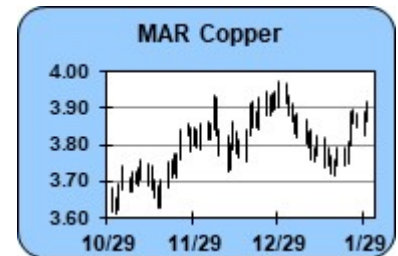
None

**COPPER COMMENTARY**

1/31/2024

**Vulnerable to corrective action with clear dovish Fed news**

**GENERAL:** We are a little surprised with the initial rejection of a lower low overnight as Chinese economic news was generally disappointing with nonmanufacturing slightly improved while the more copper focused manufacturing reading merely matched expectations. In our opinion, the data from China is likely being massaged to prop up sentiment in the wake of the unending problems in the Chinese property sector. On the other hand, a Bloomberg report overnight showed the top 20 brokers on the Shanghai futures exchange expanded their net positions in copper, but that bullish news is countervailed by short term overbought technical signals from that exchange. We think speculators this week are also buying copper off anticipation of a Chinese stimulus move but there should be some disappointment this morning of the lack of an announcement overnight. However, lingering hope that the US Fed will present a generally dovish press conference is likely to prop up copper prices in the morning trade. However, the gain in copper prices yesterday was impressive given higher copper production last year from the Las Bambas copper mine and furthermore in the face of a Reuters poll which predicted choppy to sideways price action in copper until late this year when prices are expected to recover. However, that Reuters poll also pegged the 2024 world refined copper market to be in a deficit of 35,000 tons from a previous estimate of only 24,000 tons.



**MARKET IDEAS:**

In our opinion, the copper bulls have factored in another stimulus from the Chinese government and/or have factored in US Fed dialogue rekindling the potential for a rate cut at some point in the future. Obviously, the Fed is unlikely to be definitively dovish, but the markets have shown a preference to spin central bank positioning in the direction of cutting rates. However, with the copper market at the high yesterday \$0.20 above the mid-January low, the potential risk of a steep correction if the Fed disappoints today more than offsets the potential to pick up five or six cents in long positions.

**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 (APR) 01/31/2024: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The intermediate trend could be turning up with the close back above the 18-day moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside target is at 2076.8. The next area of resistance is around 2064.8 and 2076.8, while 1st support hits today at 2044.0 and below there at 2035.1.

COMEX SILVER (MAR) 01/31/2024: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. 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 23.641. The next area of resistance is around 23.477 and 23.641, while 1st support hits today at 23.103 and below there at 22.892.

COMEX PLATINUM (APR) 01/31/2024: The major trend has turned down with the cross over back below the 60-day moving average. 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's close below the pivot swing number is a mildly negative setup. The next upside target is 949.97. The next area of resistance is around 942.05 and 949.97, while 1st support hits today at 924.15 and below there at 914.18.

COMEX COPPER (MAR) 01/31/2024: 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. A positive setup occurred with the close over the 1st swing resistance. The near-term upside objective is at 3.95. The next area of resistance is around 3.94 and 3.95, while 1st support hits today at 3.89 and below there at 3.85.

## 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
<b>METALS COMPLEX</b>										
GCEJ24	2054.4	52.22	50.52	29.20	36.01	2045.78	2044.99	2050.78	2061.93	2050.20
SIEH24	23.290	55.87	50.72	42.82	57.46	23.09	22.83	22.96	23.79	23.73
PLAJ24	933.10	53.09	50.11	31.82	46.28	921.78	914.39	924.16	945.44	936.36
CPAH24	3.91	66.13	60.68	65.40	82.54	3.88	3.83	3.81	3.84	3.81
PAAH24	979.50	48.71	45.28	31.61	42.60	966.25	957.63	971.32	1037.73	1043.94

Calculations based on previous session. Data collected 01/30/2024

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>						
GCEJ24	COMEX Gold	2035.0	2043.9	2055.9	2064.8	2076.8
SIEH24	COMEX Silver	22.891	23.102	23.266	23.477	23.641
PLAJ24	COMEX Platinum	914.17	924.15	932.07	942.05	949.97
CPAH24	COMEX Copper	3.84	3.88	3.90	3.94	3.95
PAAH24	COMEX Palladium	963.37	971.25	979.87	987.75	996.37

Calculations based on previous session. Data collected 01/30/2024

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