



DAILY METALS COMMENTARY

Thursday February 01, 2024

PRECIOUS METALS COMMENTARY

2/1/2024

Disappointment from a neutral Fed stance is bearish

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

GOLD -8.30, SILVER -0.03, PLATINUM -1.06

OUTSIDE MARKET DEVELOPMENTS: Global equity markets overnight were lower except for the CSI 300, FTSE 100, and the Ibex, which gained fractions on the day. Economic news released overnight included a slightly softer than expected Australian bank manufacturing PMI for January, unchanged Japanese Jibun bank manufacturing PMI, a significant contraction in Australian building permits, a notable contraction in Australian National Australia Bank's Business Confidence readings for the fourth quarter, increases in Australian import and export prices for the fourth quarter, a larger than expected contraction in Australian building permits, unchanged Chinese Caixin Manufacturing PMI for January, a stronger than expected Spanish HCOB Manufacturing PMI for January, stronger than expected Italian HCOB manufacturing PMI for January, weaker than expected French HCOB manufacturing PMI, no change in euro zone HCOB manufacturing PMI for January and slightly better-than-expected but softer than the prior month UK S&P global manufacturing PMI for January. The North American session will start out with the January Challenger job cut survey followed by a weekly reading on initial jobless claims that are expected to have a minimal downtick from the previous 214,000 reading. Ongoing jobless claims are forecast to have a modest weekly increase from the previous 1.833 million reading. Fourth quarter non-farm productivity is expected to have a sizable downtick from the previous 5.2% reading while fourth quarter unit labor costs are forecast to have a moderate uptick from the previous -1.2% reading. The January ISM manufacturing index is expected to have a mild downtick from December's 47.4 reading. December construction spending is forecast to have a minimal uptick from the previous 0.4% reading. Earnings announcements will include Merck, Honeywell, Eaton, Illinois Tool Works, and Altria before the Wall Street opening while Apple, Amazon.com and Meta Platforms (Facebook) report after the close.



MARKET FUNDAMENTALS: With the dollar posting a technical breakout on the upside this morning, gold and silver bulls are fortunate treasury yields have remained low overnight. Global economic news overnight was mixed to slightly softer, which might be considered a negative to gold but more so to silver given its industrial focus. However, the overriding weight on the back of gold prices this morning is clear sentiment from the US Fed chairman that a rate cut in their next meeting in March is not their base case. In other words, the Fed wants more confirmation that inflation is entrenched in a downward track and unfortunately for the bull camps in gold and silver, the markets were already fully accepting of further delays in reducing benchmark US rates. In other bearish news overnight Russia announced they purchased about 95 tons of gold in bars last year with those purchases down 5 tons from 2022. Another bearish central bank development for gold came from Kazakhstan overnight as their December gold holdings dropped from holdings in November. Not surprisingly, gold ETF holdings posted a 10th straight daily outflow as investors show their lack of interest in gold from delays in cutting global interest rates and in some minds from fears of disinflation. Investors are also fleeing silver ETF holdings, with last week's massive single day inflow of 14 million ounces aggressively reversed this week with several days of sales of more than 2.2 million ounces. Even though gold and silver are disappointed in the lack of a dovish take away from the Fed decision yesterday, definitively soft US jobs data over the coming two sessions could rekindle hope for a US rate cut in March. However, the current CME Fed watch tool has the probability of a US March rate cut at only 35.5% which is down by more than half from its peak one month ago. In another bearish development, the World Gold Council indicated global gold demand last year fell by 5% and indicated Chinese gold jewelry demand surpassed that of India. While it is a positive price development for Chinese gold jewelry demand to rise above

India, the Indian economy is infinitely stronger than the Chinese economy and therefore global gold jewelry demand has yet to fully recover to normal. It should also be noted that the last COT net spec and fund long positioning in gold showed a long of 195,688 contracts, which is significantly above the smallest net spec and fund long of the last 13 months of 81,000 contracts. In short, the gold market remains technically overbought with open interest plummeting throughout most of this month. Open interest at the beginning of January was 500,364 contracts compared to the most recent tally of only 430,328 contracts. In the end, given a lack of dovish US central bank news and or a lack of direct confrontation between the US and Iran, we think gold is overvalued and vulnerable to selling. It should be noted that stories from Iran overnight indicated they would "hit back hard" if the US strikes targets in its sovereign territory and that would certainly rekindle aggressive flight to quality buying in gold. Uptrend channel support in April gold today is right on the early market at \$2,057.80 with a major failure seen with a dip below the 200-day moving average today down at \$2,028.70.

TODAY'S MARKET IDEAS:

As indicated already, we see the gold market vulnerable as the world's largest gold jewelry consuming nation (China) remains in an economic slump, gold investors continue to flee gold ETF holdings, and the April gold contract has posted a \$40 plus rally anticipating a first-half US rate cut and that is growing more unlikely by the day. Uptrend channel support in April gold today is \$2,057.80 with a major failure seen with a dip below the 200-day moving average down at \$2,028.70.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

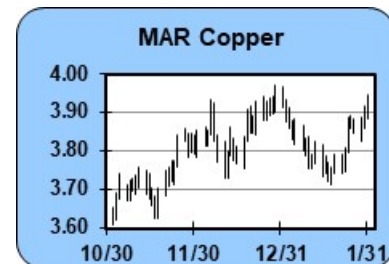
None

COPPER COMMENTARY

2/1/2024

Vulnerable to further corrective action

GENERAL: With another Chinese manufacturing report overnight registering anemic PMI readings, the outlook for Chinese copper demand is undermined at the same time the March copper contract has become significantly overbought from a short-term perspective following a nine-day rally of \$0.17. Fortunately for the bull camp, at least one Chinese equity market managed to post a minimally higher close overnight, tempering what continues to be a very serious washout in Chinese stocks. While LME copper warehouse stocks posted a decline overnight, news coverage from Bloomberg indicating Chinese copper inventories in industrial storage position increased by 10,300 tons this week and that clearly adds bearish supply news to a market already facing ongoing signs of softening demand from its largest consumer. With the trade recently indicating the January upside extension in copper (to the highest level since December 28th) was the result of a falling dollar, seeing the US dollar breakout up to the highest level since December 12th overnight justifies the aggressive long liquidation selling this morning.



MARKET IDEAS:

With the US Fed shutting down expectations of a March rate cut, Chinese domestic industrial inventories of copper rising this week, and Chinese copper demand troubling, more declines are likely today. However, with a very active US economic reports slate which includes several job readings, there is a chance the dollar could falter and "save" copper from a quick retrenchment to the uptrend channel support line down at \$3.805.

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) 02/01/2024: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside target is at 2085.6. The next area of resistance is around 2070.9 and 2085.6, while 1st support hits today at 2045.2 and below there at 2034.1.

COMEX SILVER (MAR) 02/01/2024: 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. The daily closing price reversal down is a negative indicator for prices. The market's close below the pivot swing number is a mildly negative setup. The near-term upside objective is at 23.667. The next area of resistance is around 23.340 and 23.667, while 1st support hits today at 22.790 and below there at 22.568.

COMEX PLATINUM (APR) 02/01/2024: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. The daily closing price reversal down is a negative indicator for prices. The market tilt is slightly negative with the close under the pivot. The near-term upside target is at 950.10. The next area of resistance is around 937.20 and 950.10, while 1st support hits today at 918.20 and below there at 912.10.

COMEX COPPER (MAR) 02/01/2024: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal down puts the market on the defensive. It is a slightly negative indicator that the close was under the swing pivot. The next upside target is 3.96. The next area of resistance is around 3.92 and 3.96, while 1st support hits today at 3.86 and below there at 3.84.

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										
GCEJ24	2058.1	54.17	51.71	33.67	42.34	2050.48	2046.58	2050.11	2062.28	2050.64
SIEH24	23.065	49.75	47.30	47.53	57.78	23.10	22.86	22.95	23.75	23.72
PLAJ24	927.70	50.47	48.52	38.52	52.26	929.73	915.98	921.93	945.05	936.19
CPAH24	3.89	64.62	59.78	70.98	82.31	3.89	3.85	3.81	3.84	3.81
PAAH24	996.80	54.22	48.75	38.21	51.40	979.73	963.50	969.04	1035.79	1041.95

Calculations based on previous session. Data collected 01/31/2024

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						
GCEJ24	COMEX Gold	2034.1	2045.1	2059.8	2070.9	2085.6
SIEH24	COMEX Silver	22.567	22.790	23.117	23.340	23.667
PLAJ24	COMEX Platinum	912.10	918.20	931.10	937.20	950.10
CPAH24	COMEX Copper	3.83	3.85	3.90	3.92	3.96
PAAH24	COMEX Palladium	962.15	982.30	991.15	1011.30	1020.15

Calculations based on previous session. Data collected 01/31/2024

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