



## DAILY METALS COMMENTARY Monday February 05, 2024

### PRECIOUS METALS COMMENTARY

2/5/2024

**The bias has shifted down from \$ strength & hawkish Fed**

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

**GOLD -14.40, SILVER -0.03, PLATINUM -0.25**

**OUTSIDE MARKET DEVELOPMENTS:** Global equity markets overnight were mixed with the Shanghai stock exchange composite trading down 1% and extending last week's significant losses. Critical economic news released overnight included stronger than expected Australian Judo Bank composite and services PMI readings for January, softer than expected TD securities inflation readings for January, a speech from the US Federal Reserve Chairman Powell, a stronger-than-expected Japanese Jibun services PMI reading, a recovery in Australian job advertisements, growth in Australian imports and exports, a softer than expected Chinese Caixin services PMI reading for January, much weaker than expected German import and export data for December, better than expected Italian French and German HCOB services PMI readings for January, stronger than expected French HCOB composite PMI readings for January, and softer than expected German HCOB composite PMI for January. The North American session will start out with January services PMI readings for the US and Canada, both of which are forecast to see upticks from their previous results. The January ISM services index is forecast to have a mild uptick from December's 50.6 reading. Earnings announcements will include McDonald's, Caterpillar and Tyson Foods before the Wall Street opening while Vertex Pharmaceuticals reports after the close.



**MARKET FUNDAMENTALS:** Not surprisingly, the gold market started off under noted pressure today with a six day low largely because of the upside breakout in the dollar to the highest level since mid-November and from a slight increase in US treasury yields following a hawkish overnight speech from the US Fed chairman. With the gold market adding to the January recovery rally last week before failing and reversing the market was giving off technical signs of an intermediate top last week. Unfortunately for the bull camp, outside market impacts of the dollar and treasuries shifted patently bearishly after the much stronger than expected US nonfarm payroll reading. While the readings might be a one-off reading requiring adjustments next month, the odds of a US rate cut are likely drifting lower and further into the future, with the markets instructed by the Fed that they were unlikely to cut interest rates in March. Therefore, it is not surprising that the Fed Watch tool probability of a March cut is only 15.5% with the probability of a May cut at 55%. Given the ramping up of US and UK attacks on targets in Yemen, the gold market should have found some flight to quality support down around the \$2,023 level. In fact, on Friday the NYSE announced an order imbalance on the buy side for Barrick Gold, but eventually shares closed lower. In other words, it is possible investors stepped up for the gold mining company shares in a bargain hunting fashion, but those buyers should be under duress this morning. Furthermore, investor interest in gold continues to soften in the ETF markets with gold holdings falling for 12 straight days as of Friday. Furthermore, fresh buyers in from the upper half of Friday's range are under pressure, especially with the gold market failing to hold Friday's low at \$2,044.20 early today. While the net spec and fund long positioning in gold decreased last week, gold at the start of this week was above where the report was measured, which was 74,000 contracts longer than on October 3rd. In conclusion, the gold market is "overbought and vulnerable" to "stop-loss selling." The Commitments of Traders report for the week ending January 30th showed Gold Managed Money traders were net long 71,976 contracts after decreasing their long position by 4,639 contracts. Non-Commercial & non-reportable traders net sold 21,292 contracts and are now net long 174,396 contracts. Trend channel support in April gold was \$2,038.40 and is now down at \$2,023.40. It should be noted that open interest plunged throughout January during a month where prices showed a drift lower which could indicate some value is near. While we thought the silver market was tracking

physical demand fundamentals last week, the much better-than-expected US jobs report and ongoing gains in equities has not cushioned the market, thereby leaving the potential for a retest of \$22.00 in place. In another sign of bearishness toward silver as an investment, silver ETF holdings last week lost 8.3 million ounces of holdings. Fortunately for the bull camp, the net spec and fund long in silver is at the lowest level since March of last year. Silver positioning in the Commitments of Traders for the week ending January 30th showed Managed Money traders net bought 8,211 contracts which moved them from a net short to a net long position of 5,046 contracts. Non-Commercial & non-reportable traders are net long 35,245 contracts after net buying 4,999 contracts. The January 30th Commitments of Traders report showed Platinum Managed Money traders net bought 5,656 contracts and are now net short 1,168 contracts. Non-Commercial & non-reportable traders added 2,380 contracts to their already long position and are now net long 17,114. Palladium positioning in the Commitments of Traders for the week ending January 30th showed Managed Money traders net bought 887 contracts and are now net short 10,332 contracts. Non-Commercial & non-reportable traders were net short 10,385 contracts after decreasing their short position by 719 contracts.

#### **TODAY'S MARKET IDEAS:**

While there could be a major flight to quality spurt higher in gold without notice from events in China and the Middle East, the more likely case is further pressure from key bearish outside financial markets (treasuries and currency). Downtrend channel selling resistance in gold is lowered to \$2,059.70 with the bottom of this week's trading range offering limited support at \$2,023.30. As indicated already we see the March silver contract falling to \$22.00 as it follows gold lower.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

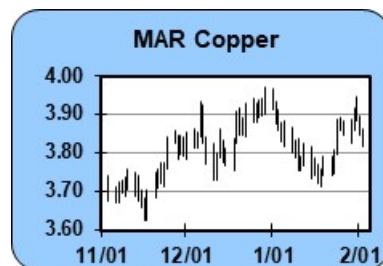
None

## **COPPER COMMENTARY**

**2/5/2024**

### **Vulnerable to further corrective action**

**GENERAL:** With the Shanghai stock exchange composite closing 1% lower overnight (a 52-week low) and continuing its recent plunge, concerns of softening Chinese copper demand are front and center and on the back of the copper market this morning. Even though the copper market managed to rally in the first three days of last week's trade and managed that in the face of persistent expansion of fear toward the Chinese economy (therefore concerns for Chinese copper consumption), the market reversed and closed very poor on the charts suggesting a trade back below \$3.80 is in the offing. Adding into the negative Chinese copper demand theme is the largest weekly increase in Shanghai copper stocks last week since February 2023 which left the total inventories at the highest level since July 2023. Yet another bearish takeaway from the Shanghai copper inventory report is the fact that inventories have declined for five straight weeks. However, fortunately for the bull camp, the copper market is already net spec and fund short which could moderate the amount of stop loss selling. Yet another bearish Chinese development for copper overnight was a softer than expected Chinese Caixin services PMI reading for January. Copper positioning in the Commitments of Traders for the week ending January 30th showed Managed Money traders net bought 27,509 contracts and are now net short 3,330 contracts. Non-Commercial & non-reportable traders net bought 20,090 contracts and are now net short 7,294 contracts.



#### **MARKET IDEAS:**

The bias is down until something positive like a major Chinese stimulus package is announced. Clearly, the copper market is not interested in growth signals from US jobs and surging global equity prices especially with Chinese equity markets continuing to plunge and keeping the potential of a financial contagion meltdown in China on the front burner. Near-term downside targeting is \$3.7750 with a very unlikely trade today back above \$3.89

needed to reverse the downtrend.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

Commitment of Traders - Futures and Options - 1/23/2024 - 1/30/2024						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
<b>Metals</b>						
<b>Copper</b>	-8,434	+21,509	7,293	-20,089	1,140	-1,419
<b>Gold</b>	151,449	-20,954	-174,395	+21,293	22,947	-338
<b>Palladium</b>	-10,793	+938	10,385	-719	408	-219
<b>Platinum</b>	11,507	+3,637	-17,114	-2,379	5,607	-1,257
<b>Silver</b>	18,344	+5,687	-35,245	-4,998	16,901	-688

**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) 02/05/2024: The major trend has turned down with the cross over back below the 40-day moving average. The upside crossover of the 9 and 18 bar moving average is a positive signal. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside target is at 2087.2. The next area of resistance is around 2069.2 and 2087.2, while 1st support hits today at 2038.8 and below there at 2026.3.

COMEX SILVER (MAR) 02/05/2024: A positive indicator was given with the upside crossover of the 9 and 18 bar moving average. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The market setup is somewhat negative with the close under the 1st swing support. The near-term upside target is at 23.720. The next area of resistance is around 23.215 and 23.720, while 1st support hits today at 22.345 and below there at 21.980.

COMEX PLATINUM (APR) 02/05/2024: The upside crossover (9 above 18) of the moving averages suggests a developing short-term uptrend. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The outside day down is somewhat negative. The close below the 1st swing support could weigh on the market. The near-term upside objective is at 943.50. The next area of resistance is around 918.60 and 943.50, while 1st support hits today at 884.00 and below there at 874.30.

COMEX COPPER (MAR) 02/05/2024: The market back below the 40-day moving average suggests the longer-term trend could be turning down. A bearish signal was triggered on a crossover down in the daily stochastics. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is 3.79. The next area of resistance is around 3.84 and 3.87, while 1st support hits today at 3.80 and below there at 3.79.

## 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	2054.0	49.98	49.75	44.50	52.90	2059.83	2050.21	2050.07	2062.03	2051.67
SIEH24	22.780	42.10	43.17	55.55	60.02	23.11	22.98	22.92	23.66	23.71
PLAJ24	901.30	38.72	41.20	46.25	48.82	922.05	918.08	916.25	943.74	935.42
CPAH24	3.82	46.18	48.45	69.43	64.23	3.87	3.86	3.81	3.84	3.82
PAAH24	949.00	40.05	40.77	46.91	52.92	974.23	966.99	962.64	1030.86	1036.37

Calculations based on previous session. Data collected 02/02/2024

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	2026.2	2038.7	2056.7	2069.2	2087.2
SIEH24	COMEX Silver	21.980	22.345	22.850	23.215	23.720
PLAJ24	COMEX Platinum	874.30	884.00	908.90	918.60	943.50
CPAH24	COMEX Copper	3.78	3.79	3.83	3.84	3.87
PAAH24	COMEX Palladium	910.12	928.75	950.62	969.25	991.12

Calculations based on previous session. Data collected 02/02/2024

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