



DAILY METALS COMMENTARY

Thursday April 11, 2024

PRECIOUS METALS COMMENTARY

4/11/2024

Vulnerable but we expect bargain hunting buying ahead

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):

GOLD +0.20, SILVER -0.01, PLATINUM +0.75

OUTSIDE MARKET DEVELOPMENTS: Global equity markets overnight were mostly lower except for the markets in Tokyo, Shanghai, Hong Kong, and France which managed very modest gains. Critical economic news released overnight included a significant inflow of foreign money into Japanese stocks, a positive flow of foreign money into Japanese bonds, a hotter than expected Australian Consumer Inflation Expectations reading for April, a much weaker than expected Chinese consumer price index reading for March (-1%), another large contraction in Chinese Producer Price Index readings for March, not as strong as expected French industrial output, with the Chinese new loan delayed once again! The North American session will start out with the March US producer price index which is expected to have a moderate uptick from February's 1.6% year-over-year rate. The March US core producer price index (excluding food and energy) is forecast to have a mild uptick from February's 2.0% year-over-year rate. A weekly reading on initial jobless claims is expected to have a mild downtick from the previous 221,000 reading. Ongoing jobless claims are forecast to have a minimal weekly increase from the previous 1.791 million reading. New York Fed President Williams will speak during morning US trading hours while Boston Fed President Collins and Atlanta Fed President Bostic will speak during the afternoon. Earnings announcements will include Constellation Brands and Fastenal before the Wall Street opening.



MARKET FUNDAMENTALS: With the dollar this morning forging another higher high and reaching the highest level since early November, the currency impact on gold, silver, and copper remains negative. Likewise, US treasury yields remain a burden with yields reaching the highest levels since last November with another higher high overnight. While it is not clear what the direct ramifications are on gold prices, a precipitous decline in Chinese Consumer Price Index readings for March overnight suggests the Chinese economy is doing very poorly which could be a double-edged sword. On the one hand, the Fitch downgrade, falling confidence in the Chinese government and ongoing anxiety toward the Chinese property sector could prompt Chinese citizens to buy more gold as a flight to quality move, or the slowdown might reduce retail purchases of gold inside China or even reduce the Chinese central bank's capacity to buy gold for reserves. However, a Bloomberg story overnight indicates that Chinese retail customers are buying gold ETF instruments, but we are suspicious of the ability to know that data on a real-time basis. A likely scenario is that China will step up with additional stimulus especially with predictions that first quarter Chinese GDP will post the slowest growth rate in four quarters. For the bear camp, when it rains it pours with gold ETF holdings yesterday reporting a very significant outflow of 164,581 ounces and extending the chain of daily outflows to three days. In today's action the US PPI report is forecast to show a slight moderation of price pressures from the previous month, but a portion of the trade is expecting an upside surprise after yesterday's CPI reading came in hotter than expected. Clearly, the reduction in expectations for a June rate cut has undermined the allure of gold and silver with the CME Fed watch tool showing the probability of a June rate cut falling by nearly 50% from recent levels. With the June gold futures contract breaking a string of new all-time highs (eight straight days) yesterday, the market is facing the first definitive corrective environment since the middle of last month. However, given gains into this week's high of \$83 from the last COT positioning report mark off, the net spec and fund long in gold is likely at the highest level since April 2022. Reports that Costco is making \$100-\$200 million profit on the sale of gold bars indicates small investor demand is stronger than typical measures have indicated, and it will be interesting to see when and if prices begin to cool off

interest in the bars. It should also be noted that Costco is also selling 1-ounce Canadian Maple Leaf silver coins which are sold in tubes of 25, thereby partially explaining the lack of significant inflows to silver ETF holdings in the wake of a \$7.00 per ounce rally in silver since last October! In the coming session, the gold and silver bull camp will be tested again with Chinese inflation readings overnight indicative of a very slow economy and US producer price inflation data needing to be softer than expected to countervail the bearish impact even partially from the hot US CPI report yesterday. Obviously, significant pressure from outside markets (rising treasury yields and robust gains in the dollar) leaves some longs poised to exit, but the gold trade is likely to see bargain hunting buying if prices retrench aggressively. A normal retracement of the mid-March to early April rally provides a target of \$2,302.90.

TODAY'S MARKET IDEAS:

We see gold and silver remaining vulnerable again today with fresh fears of Chinese slowing and residual disappointment among the bull camp arising from another pushback of US'S rate cut timing. However, we suspect the market retains buying capacity, especially if PPI notches below expectations and partially countervails yesterday's news. With a conservative long entry price in June gold pegged at \$2,302.90. We see a normal retracement of the late March and early April rally in silver pegged at \$27.30 which clearly points out the potential for significant volatility.

NEW RECOMMENDATIONS:

None

PREVIOUS RECOMMENDATIONS:

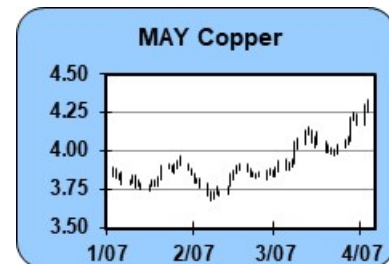
Long May Gold \$2,300 put at \$15.00 and long a June Gold \$2,390 call at \$35.00. Use an objective of \$35.00 for the May put and wait for further instructions for this strategy in upcoming comments.

COPPER COMMENTARY

4/11/2024

Severe overbought technical conditions and signs of Chinese slowing

GENERAL: Obviously, the copper market is overbought with the high-volume upside extension early this week followed by a slight reduction in open interest. In our opinion, the bull bias in copper remains partially alive as Chinese economic news overnight should have sparked a noted downside extension in copper prices. In fact, with a 1% decline in Chinese Consumer Price Index readings for March, the Chinese economy continues to struggle thereby casting doubt on the idea of recovering Chinese copper demand. However, the deflationary signs in the Chinese economy have also rekindled Chinese stimulus hopes and that could countervail some of the negative bias against copper in the early trade. On the other hand, the press continues to reiterate concerns over supply disruptions which in our opinion have been parroted over and over without fresh developments lately. It should also be noted that LME copper warehouse stocks have continued to climb with Shanghai copper warehouse stocks also in a definitive build pattern! While the copper market carved out a higher high for the move yesterday, the rally failed to hold and at times the May copper contract was trading nearly 8 cents below the early Wednesday highs. In other words, the copper trade appears to have given off signs of a temporary top with the focus in the trade likely concerned about a softer than expected Chinese new loan report which continues to be delayed. With copper prices overbought technically and a major decline in inflation, we see copper vulnerable to fundamental and technical selling.



MARKET IDEAS:

In retrospect, the idea that the early April rally was mostly the result of the orchestrated reduction in Chinese smelting activity is growing suspect given the magnitude of the current rally. Furthermore, a very sharp contraction in Chinese CPI casts fresh doubt on the economic recovery in China and that in turn should injure Chinese copper demand prospects! We suggest aggressive traders get short futures with tight stops or purchase bear put spreads on the July contract.

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 (JUN) 04/11/2024: The daily stochastics have crossed over down which is a bearish indication. Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is 2313.4. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 2371.7 and 2395.4, while 1st support hits today at 2330.7 and below there at 2313.4.

COMEX SILVER (MAY) 04/11/2024: Momentum studies are trending higher but have entered overbought levels. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market tilt is slightly negative with the close under the pivot. The next upside objective is 29.091. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 28.512 and 29.091, while 1st support hits today at 27.498 and below there at 27.062.

COMEX PLATINUM (JUL) 04/11/2024: 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside target is at 1007.02. The next area of resistance is around 990.55 and 1007.02, while 1st support hits today at 964.45 and below there at 954.83.

COMEX COPPER (MAY) 04/11/2024: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. 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 next upside objective is 4.37. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 4.32 and 4.37, while 1st support hits today at 4.24 and below there at 4.19.

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										
GCEM24	2351.2	75.58	75.66	90.81	90.27	2357.73	2321.17	2258.65	2163.71	2139.47
SIEK24	28.005	88.95	82.87	83.34	86.79	27.82	26.84	25.92	24.45	24.11
PLAN24	977.50	65.58	61.70	67.88	76.42	968.90	949.06	934.52	921.52	921.34
CPAK24	4.27	80.25	75.37	81.70	86.07	4.27	4.18	4.12	3.96	3.93
PAAM24	1058.40	57.42	56.17	49.99	61.12	1050.60	1032.80	1025.06	993.06	985.55

Calculations based on previous session. Data collected 04/10/2024

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						
GCEM24	COMEX Gold	2313.4	2330.7	2354.4	2371.7	2395.4
SIEK24	COMEX Silver	27.061	27.497	28.076	28.512	29.091
PLAN24	COMEX Platinum	954.82	964.45	980.92	990.55	1007.02
CPAK24	COMEX Copper	4.18	4.23	4.28	4.32	4.37
PAAM24	COMEX Palladium	1004.95	1026.90	1067.95	1089.90	1130.95

Calculations based on previous session. Data collected 04/10/2024

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