JM BULLION

Metals Market Broadsheet: August 12-16
By JM Bullion Editorial Team

Gold was the star of the show this week, notching a new all-time high price and vaulting over the psychological $2,500 per ounce benchmark. Silver was nothing to sneeze at – the white metal posted its highest price in nearly two weeks on a favorable economic outlook.

Geopolitical unrest continued as the biggest driver for the pop in precious metals – platinum and palladium were also closing in on weekly gains – as escalating tensions in both the Middle East and Ukraine boosted their safe haven appeal. On Wall Street, July's upbeat PPI, CPI, and retail sales reports, coupled with a drop in initial jobless claims for the second consecutive week, all but shut the door on market hopes of a more robust interest rate cut when policymakers meet in September.

At the start of the week, investors had priced in a cut of 50 basis points out of the Sept. 17-18 Federal Open Market Committee meeting, but a majority of the market now expects a more modest trim starting at 25 basis points.

GOLD & SILVER:

Bullion investors have plenty of reasons to remain bullish on gold's near-term upside. The yellow metal kicked off this week posting its highest session since Aug. 2 and carried that momentum into Friday's new all-time high of $2,500 per ounce – leaving its previous mid-July record high of $2,482 per ounce in the dust. By late Friday afternoon, gold had pocketed quite a trifecta: a gain of nearly 2% on the day, roughly 2.8% for the week, and a 21% rise year-to-date for its best year since 2020.

The commodity also got a boost from a struggling dollar and its safe haven appeal amid escalating tensions in the Middle East and Ukraine. Underpinning gold's success is the stalwart confidence on Wall Street that the Fed will finally move to cut interest rates when policymakers meet next month. With gold's upside appearing to have legs for the foreseeable future, Commerzbank issued a note adjusting its year-end price outlook from $2,300 per ounce to $2,500 per ounce, with expectations of a $2,600 per ounce price point by the middle of next year.

Silver was no slouch, either, and shared some of gold's tailwind to trade near a two-week high on Friday, edging toward $29 per ounce and picking up a gain of nearly 2%. Besides benefitting from some of the same market drivers as its yellow cousin, such as geopolitical unrest overseas and anticipation of an interest rate cut in September, demand for silver also appears to have picked up. Australian miner Perth Mint, for example, recently reported a 91% spike in silver product sales for July – its highest level since February. "We had a particularly robust month for silver sales in the U.S., which is our biggest market," Neil Vance, the company's general manager of minted products, told REUTERS this week.

ASSET SPOTLIGHT: A case study: Copper in the crosshairs

It's a textbook example of how geopolitics plays a role in the commodities trade. Copper, a key metal vital to the construction, electronics, and transportation industries, had mostly underwhelmed for extended stretches this summer. That changed in a blink when workers at the world's largest copper mine in Chile went on strike this week. Owned by Australia-based commodities exploration giant BHP, the Escondido mine accounts for nearly 5% of the global copper supply.

As talks fizzled, fueling supply concerns, prices for the red metal shot up. By Thursday, it had posted gains of more than 2.2% to trade at around $4.13 per pound – keep in mind the commodity had just plunged to a five-month low of $3.95 on Aug. 7. As of this writing, the market remains on edge as the Escondida strike continues, and the fallout is also affecting other mines in Chile as emboldened workers seeking better wages hold their ground.

It's an important reminder of how events halfway around the globe – think how the wars in the Middle East and Ukraine have played a role in gold and silver's fortunes – can dictate the trajectory of many valuable commodities.

THE FED SAID:

Two Fed officials who have adopted a largely hawkish stance on monetary policy during the past year appear to have softened their positions on cutting interest rates.

In separate remarks this week, Atlanta Federal Reserve President Raphael Bostic and St. Louis Federal Reserve President Alberto Musalem both highlighted recent economic data suggesting the U.S. was making progress in reaching the Fed's 2% inflation target and expressed amenability to voting for a cut as early as the next Federal Open Market Committee meeting in September.

"I'm open to something happening in terms of us moving before the fourth quarter," Bostic said to the Financial Times in an interview on Thursday. Additionally, he told the newspaper that the U.S. central bank can't "afford to be late" in easing monetary policy.

For his part, Musalem said at an event in Louisville, Kentucky, on Thursday that recent data has "bolstered" his confidence that inflation was coming down to the 2% target, adding that the economy was performing "very well" in several areas, namely in growing the labor supply.

"It now appears the balance of risks on inflation and unemployment has shifted … the time may be nearing when an adjustment to a moderately restrictive policy may be appropriate," he said.

BEAT THE STREET:

Investors will continue to sift through several key economic reports and speeches from Fed officials this week to gauge whether policymakers will act boldly or more on the safer side when they meet next month to consider cutting interest rates.

We kick things off with Monday's leading economic indicators for July, followed by remarks Tuesday afternoon from Atlanta Federal Reserve President Raphael Bostic. At the midweek turn, the Fed releases minutes from July's Federal Open Market Committee meeting on Wednesday, and the market will scrutinize statements from members who may have telegraphed a more dovish sentiment on future rate cuts. Thursday brings initial unemployment claims for the week ending Aug. 17, August's S&P flash PMI for U.S. services and manufacturing and rounds out the day with a look at existing home sales for July.

The main event is reserved for Friday when Fed Chairman Jerome Powell is expected to speak at the 2024 Jackson Hole Economic Symposium. We'll also get a tally of July's new home sales, which will dovetail with Thursday's existing home sales report.

GOLD RUSH:

Egyptian antiquities officials announced this week the discovery of a cache of gold, bronze, jewelry, and statues belonging to the country's last dynasty, which existed more than 2,300 years ago. The artifacts were unearthed in 63 tombs in the Nile Delta city of Damietta, situated roughly nine miles from the Mediterranean Sea and 125 miles north of Cairo. The trove – which includes gold pieces, funerary amulets, and a piece of pottery containing 38 bronze coins – dates to Egypt's Late and Ptolemaic periods. Founded in 305 B.C., the Ptolemaic dynasty was Egypt's last before it became part of the Roman Empire. Neveine el-Arif, a spokeswoman for the Ministry of Tourism and Antiquities, says some of the items from the excavation site could go on display at one of Egypt's museums.