DAVIS COMMODITIES LLC

October 2024 Macro Commentary

Front and center on the collective mind of the market is the election today. While it is possible that there will be a certain victory tonight, odds are currently favoring a protracted amount of time before anything is truly known. As for the victor, I will leave that to those with far greater political acumen.

Regarding positioning, there is currently no reason to deviate from the trades currently held. Neither political candidate is promoting a contraction in spending which should continue to weigh on the value of the dollar. With most other developed countries in a similar conundrum, playing the currencies is in the "too hard" pile. The US, EU, and UK all have their own set of peculiar issues that precludes much confidence. While I am overtly negative on the EU as a whole due to structural economic issues, the moving pieces of the election will keep me firmly on the sidelines.

Confidence remains high that the continued issuance of debt will weigh on the long-end of the yield curve and steepen the overall yield curve. With federal interest expense now greater than defense spending, it does not bode well for the long end of the yield curve to move to a lower yield regime. In addition, the overall strength of the US economy has been much greater than expected. Outside of the non-farm payrolls for October, most economic data has surprised to the upside. The Citibank surprise index illustrates the outperformance well.

Last, the weakening of G7 currencies should continue to support the prices of precious metals. Gold and silver both should benefit from the debasing and move higher. Obviously, gold has been a bright spot while silver has been a bit disappointing. With gold near all-time highs, I thought that silver would be able to approach its double top at $50. While that may still happen over time, obviously, the timing was incorrect. The positioning will continue to hold both gold and silver on a strategic basis.

Sincerely,

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