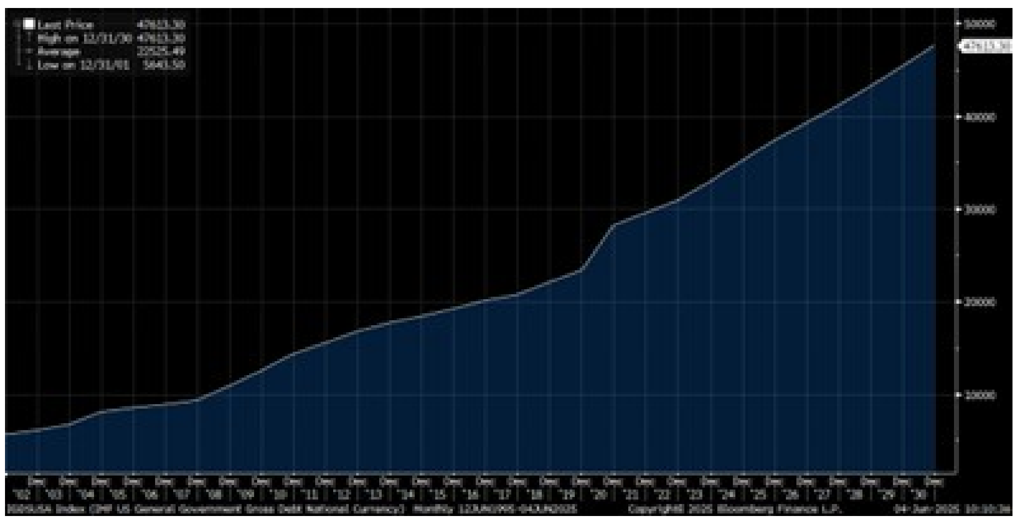
DAVIS COMMODITIES LLC

May 2025
Macro Commentary

The month of May ended with a small loss as some of the positioning that was working to start the month ceased to work and positions were exited. A lot of the moves in the markets on a daily basis are simply jaw-dropping. Tape-bombs delivered by the White House are consistently riling the daily trade activity, but seemingly deliver very little in long-term trajectory (thus far). The trade war with the world is ongoing with most deadlines for initial terms coming up on July 8. While the framing of an agreement with many countries still exists, the actual terms will still, most likely, take many months to hammer out. Positioning is small as I am waiting for the technical and fundamental analysis to line up. That said, there is little change to the overall thought process from last month.

As far as the US economy is concerned, on the surface and in the hard data, everything is fine. Unemployment continues to stay low, income continues to grow and inflation data has been slowing. That said, when you look at the survey data, the economy is showing signs of slowing. Credit card debt continues to move from the lower left to the upper right of the chart. HELOC withdrawals have hit their highest level in 17 years according to data from ICE Mortgage Technology. Buy now, pay later debt continues to surge with delinquencies rising. The economy could get another surge from the Federal Government if congress is successful in pushing the Big Beautiful Bill across the finish line, but that really doesn't change too much. Not changing the tax rates certainly doesn't hurt, but it isn't a change. This bill is still full of the pork that DOGE was built to challenge, but it appears that nothing stops this train (yet). US deficits will continue to rise. With continuing budget deficits, one would assume that the long end of yield curve should be met with higher rates. The chart here is the IMF estimate for US total debt through 2030.



All of this means nothing until we start seeing the numbers pull through into hard data. If correct, what does this mean? First, our old friend/ nemesis, the 2/10 spread will finally make its big move to the upside. Second, precious metals will continue to move higher. Gold should make fresh highs and silver should reach for its double top area near $50. Finally, the dollar should weaken. All of these trades are certainly on the radar and will be added as the technical/fundamental pictures line up.

Thank you for your continued support.

Sincerely,

Stephen Davis
June 4, 2025

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