



ABC<sup>®</sup>  
BULLION

# ABC Bullion Monthly Precious Metals Technical Analysis Report

August 2021

# Gold – In Brief

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The dominant (market) news for August was the Jackson Hole symposium, where Fed Chair Jerome Powell gave a dovish speech, which was followed by some weak ADP and NFP data. Given the focus by the Federal Reserve on the primacy of labour markets and the goal of full employment, the effect was initially US dollar weak and supportive of gold.

Jerome Powell had signalled in advance that he saw a clear distinction between the onset of tapering and the eventual onset of tightening, which most of us would happily conflate as two interrelated and consecutive steps in changing Fed monetary policy. Expectations for tapering to commence in Q4 remain in place and unless there is a continuation of August's weak job data, probably still does remain in place.

US 10-year yields did not spend too much time on the defensive before closing higher after last week's poor Payroll number, and along with the US dollar's recovery after a slip in the low-liquidity zone of Monday's Labor Day holiday, created a headwind for gold right at key technical levels. Yields have sunk slightly in response to a 'lacklustre' Beige Book, but also retreated from the top made almost a month ago.

The emphasis in Powell's speech on the labour market stresses the need to float all boats in the US labour market, and if economic data heats up, is likely to put the Chair at odds with an increasingly vocal array of figures ranging from Vice Chair Richard Clarida, Robert Kaplan (Dallas) Eric Rosengren (Boston) and James Bullard (St. Louis), all of whom have articulated a clear need to taper.

America and her allies withdrew from Afghanistan which draws an era to some sort of a close.

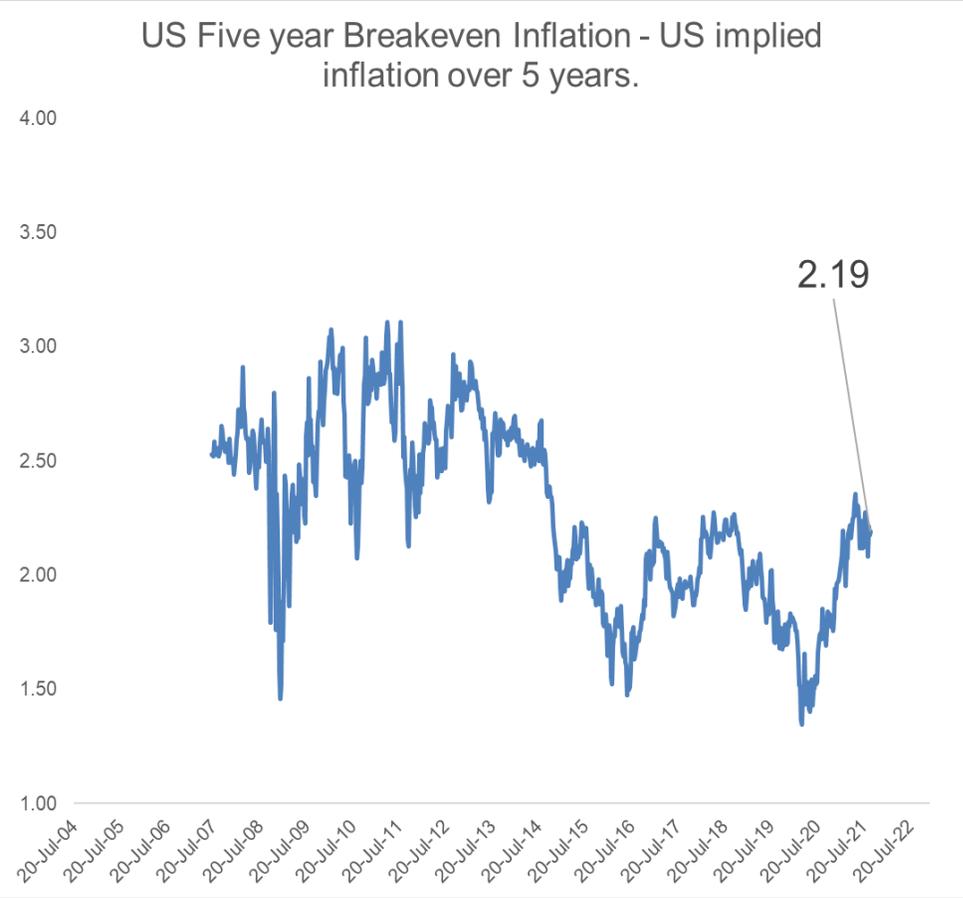
The Delta variant continues to dominate, very obviously so in the case of Australia's eastern states. The Reserve Bank of Australia has tapered slightly by reducing bond purchases by 20%, from A\$5 billion weekly to A\$4 billion weekly, or about US\$12 billion monthly. That decision to move away from 'ultra-accommodative' fits with a general shift towards tapering or 'likely tapering' in a number of economies, including Canada, the Eurozone, and as mentioned above, the US, plus an ongoing recovery in China, firm commodity export prices, and a belief that the domestic economy will regain traction fairly quickly after vaccination allows 're-opening'.

## And next...

'Look to Windward' is the title of one of Ian M Bank's best-known novels, where a hyper-intelligent being scans for threats on the horizon, in order to protect humankind (or something like that). Well, that is far from what is happening here, but borrowing the theme, how much of a threat to asset market stability is the looming debt ceiling, which is set to become an issue in October-November? Analysis suggests that moderate Democrats will want to suspend the ceiling rather than increase it, but that would require the cooperation of at least 10 Republican Senators, which looks like a significant hurdle to overcome, and raises the possibility of a last-minute showdown with Republicans who might be keen to humiliate a President politically wounded by the Afghan withdrawal.

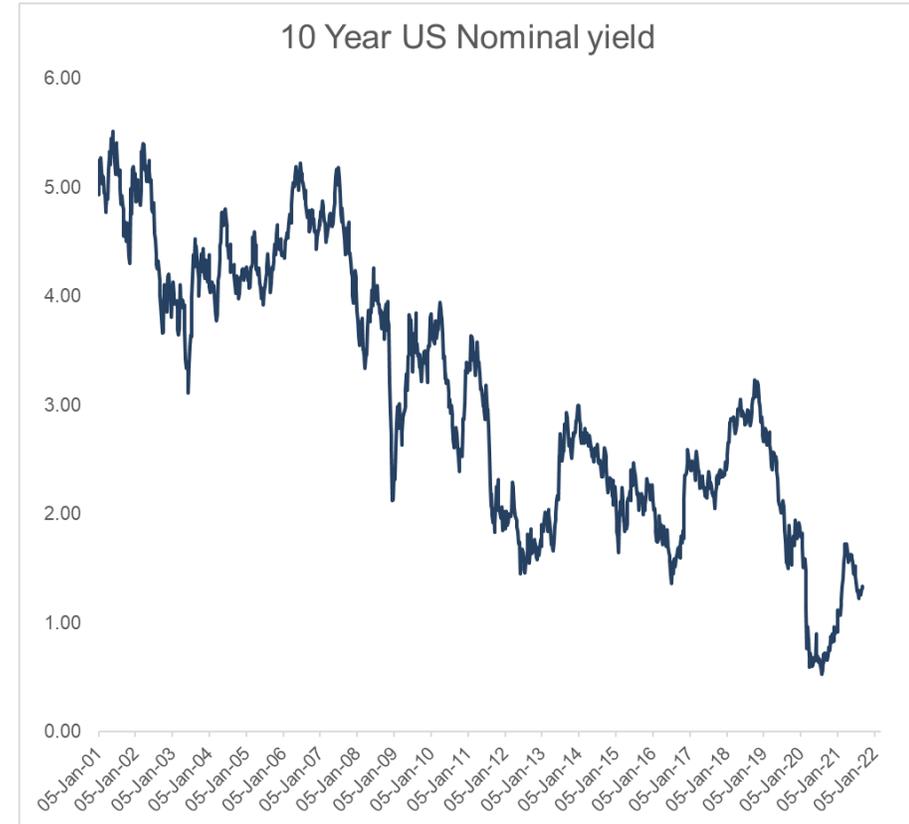
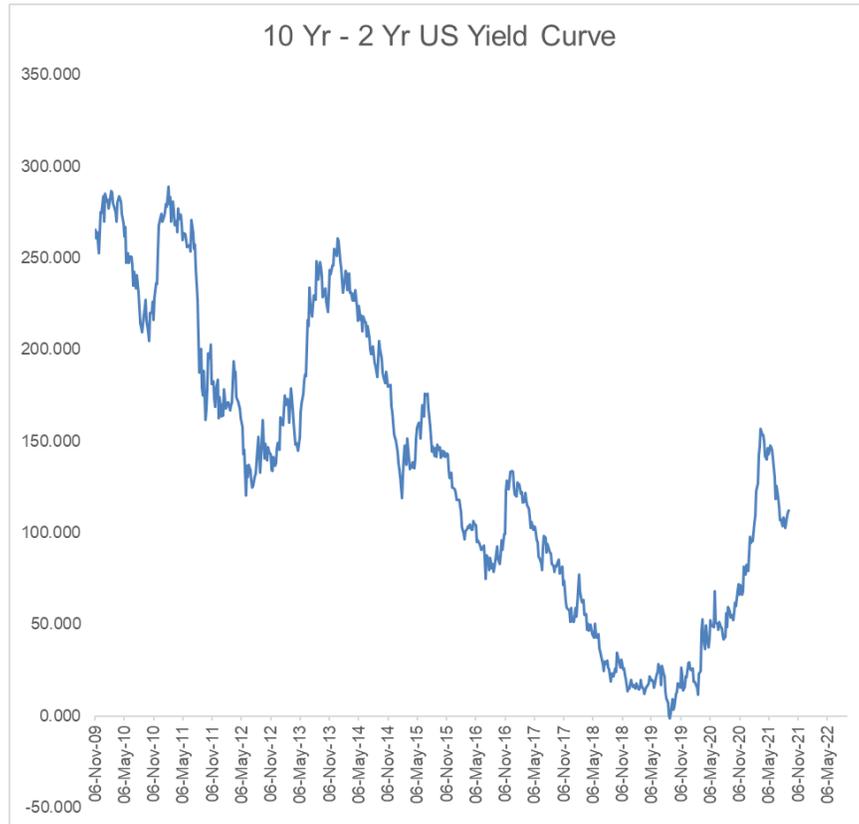
# Money and Interest Rates

Forward looking US inflation expectations over the next five years seem aligned with the Fed's '2%' levels given the average inflation targeting aspect. They may also reflect pessimism over future growth paths, irrespective of recent inflationary pressures.



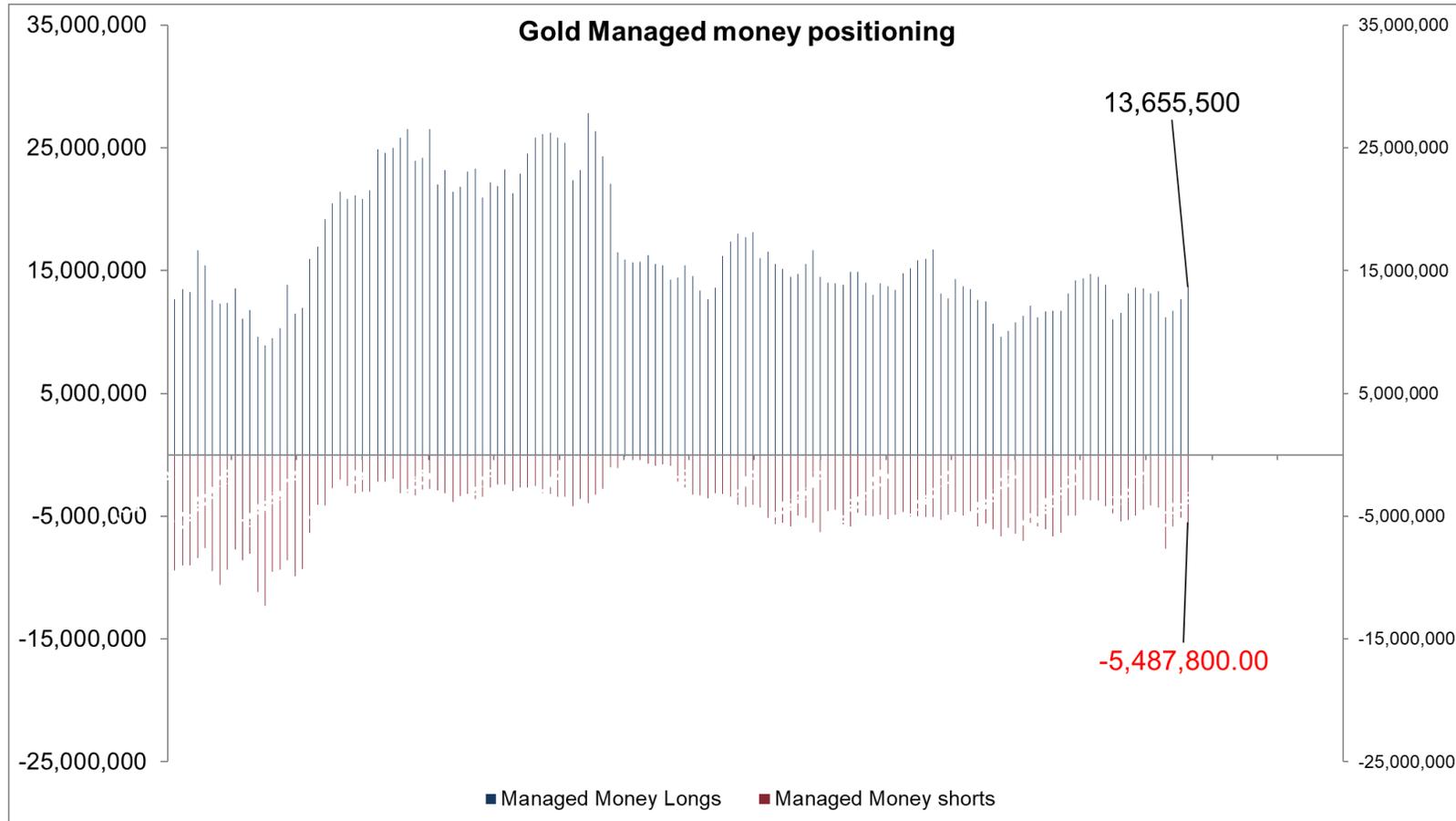
# 10-year US Yields / Curve

Although yields have dialled back after the Q1 exuberance and hitting the long term 1.7024% yield target in April, the long-term trend in yields continues upwards.



# Overview of Managed Money Positioning in Gold

CME Gold Managed Money futures up to August the 31<sup>st</sup>. A steady and cautious growth in long positioning until that date. Shorts reduced. Below this chart, I have introduced more detail on VWAP in Au/Ag/Pt/Pd and graphs showing VWAP, changes in positioning and the spot price. You can use this to get a better sense visually of whether recent positions are 'in' or 'out' of the money, and whether that might influence participants to take profit or stop out?



# Precious metals positioning and Volume-Weighted Average Pricing (Tables)

## Volume-weighted Average Price - GC

Published 07 August, 2021

| Week ending on:             | Weekly Change in Managed Money Positions<br>(Futures only) |            |            |            |
|-----------------------------|--|------------|------------|------------|
|                             | US\$ VWAP  | Longs      | Shorts     | Net change |
| Tuesday, 31 August 2021     | \$1,803.90   | 991,900    | 368,600    | 623,300    |
| Tuesday, 24 August 2021     | \$1,792.14   | 936,400    | -700,200   | 1,636,600  |
| Tuesday, 17 August 2021     | \$1,758.82   | 538,000    | -1,829,500 | 2,367,500  |
| Tuesday, 10 August 2021     | \$1,776.74   | -2,102,800 | 3,344,200  | -5,447,000 |
| Tuesday, 3 August 2021      | \$1,818.31   | 128,500    | 164,200    | -35,700    |
|                             |  | 492,000    | 1,347,300  | -855,300   |
| Gold ETF Change in position |  |            |            | -807,315   |
| Total change over period    |  |            |            | -1,662,615 |

## Volume-weighted Average Price - SI

Published 07 August, 2021

| Week ending on:               | Weekly Change in Managed Money Positions<br>(Futures only) |             |             |             |
|-------------------------------|--|-------------|-------------|-------------|
|                               | 99815380.16  | Longs       | Shorts      | Net change  |
| Tuesday, 31 August 2021       | \$99,774,710.03  | 4,570,000   | -3,675,000  | 8,245,000   |
| Tuesday, 24 August 2021       | \$99,731,694.71  | -665,000    | -5,010,000  | 4,345,000   |
| Tuesday, 17 August 2021       | \$99,782,395.12  | 7,980,000   | 17,905,000  | -9,925,000  |
| Tuesday, 10 August 2021       | \$99,766,678.58  | -21,235,000 | 47,115,000  | -68,350,000 |
| Tuesday, 3 August 2021        | \$99,743,756.18  | 160,000     | -22,260,000 | 22,420,000  |
|                               |  | -9,190,000  | 34,075,000  | -43,265,000 |
| Silver ETF Change in position |  |             |             | -3,997,807  |
| Total change over period      |  |             |             | -47,262,807 |

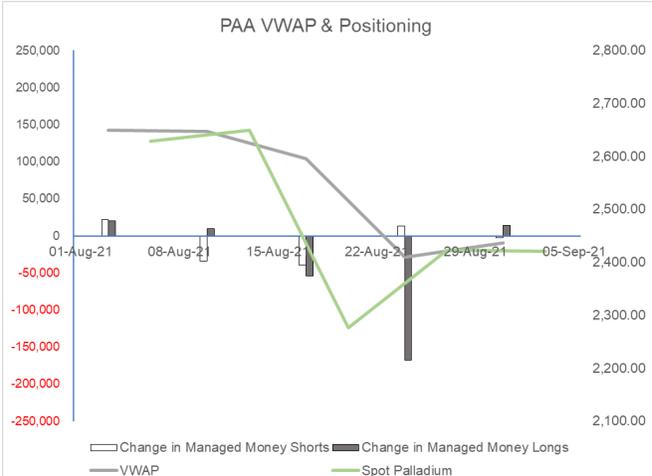
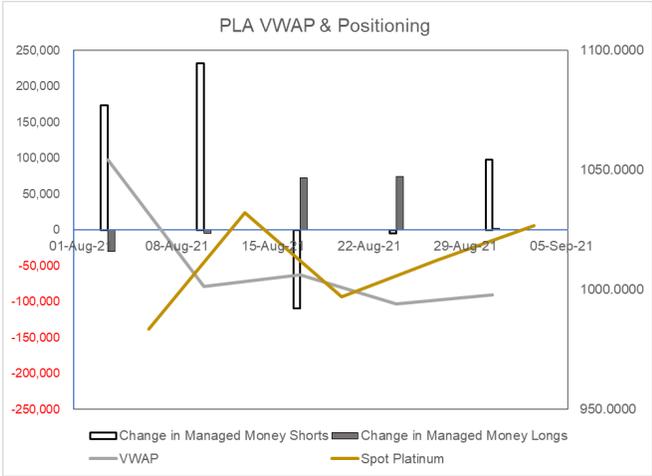
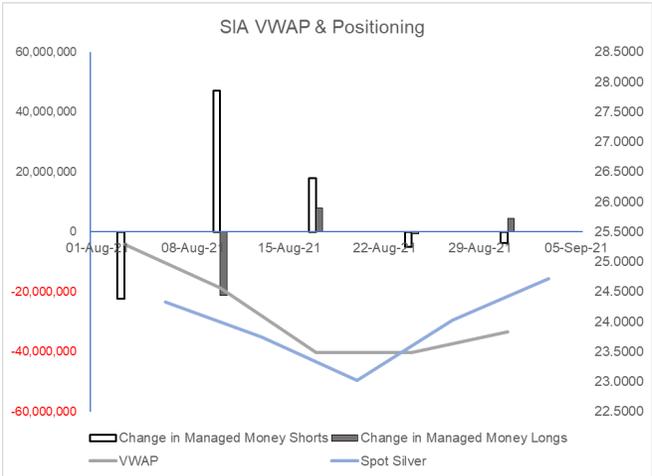
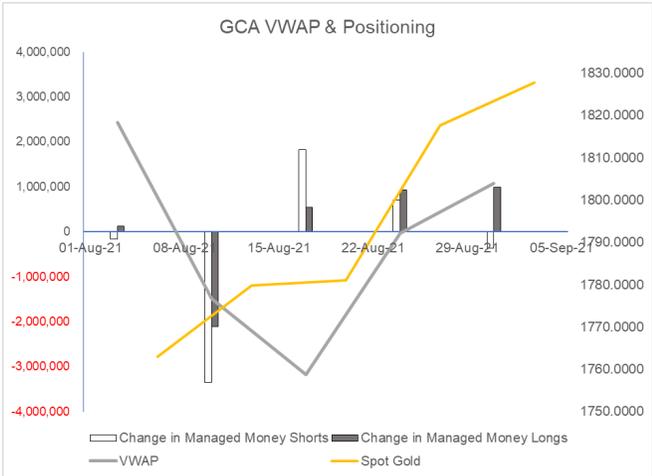
## Volume-weighted Average Price - PLA

Published 07 August, 2021

| Week ending on:                       | Weekly Change in Managed Money Positions<br>(Futures only) |         |          |            |
|---------------------------------------|--|---------|----------|------------|
|                                       | US\$ VWAP  | Longs   | Shorts   | Net change |
| Tuesday, 31 August 2021               | \$997.96   | 2,450   | 98,250   | -95,800    |
| Tuesday, 24 August 2021               | \$994.11   | 74,350  | -5,200   | 79,550     |
| Tuesday, 17 August 2021               | \$1,006.17   | 73,000  | -108,950 | 181,950    |
| Tuesday, 10 August 2021               | \$1,001.38   | -4,950  | 232,500  | -237,450   |
| Tuesday, 3 August 2021                | \$1,054.39   | -30,050 | 173,800  | -203,850   |
|                                       |  | 114,800 | 390,400  | -275,600   |
| Platinum ETF Change in position Ftozs |  |         |          | -95,422    |
| Total change over period              |  |         |          | -371,022   |

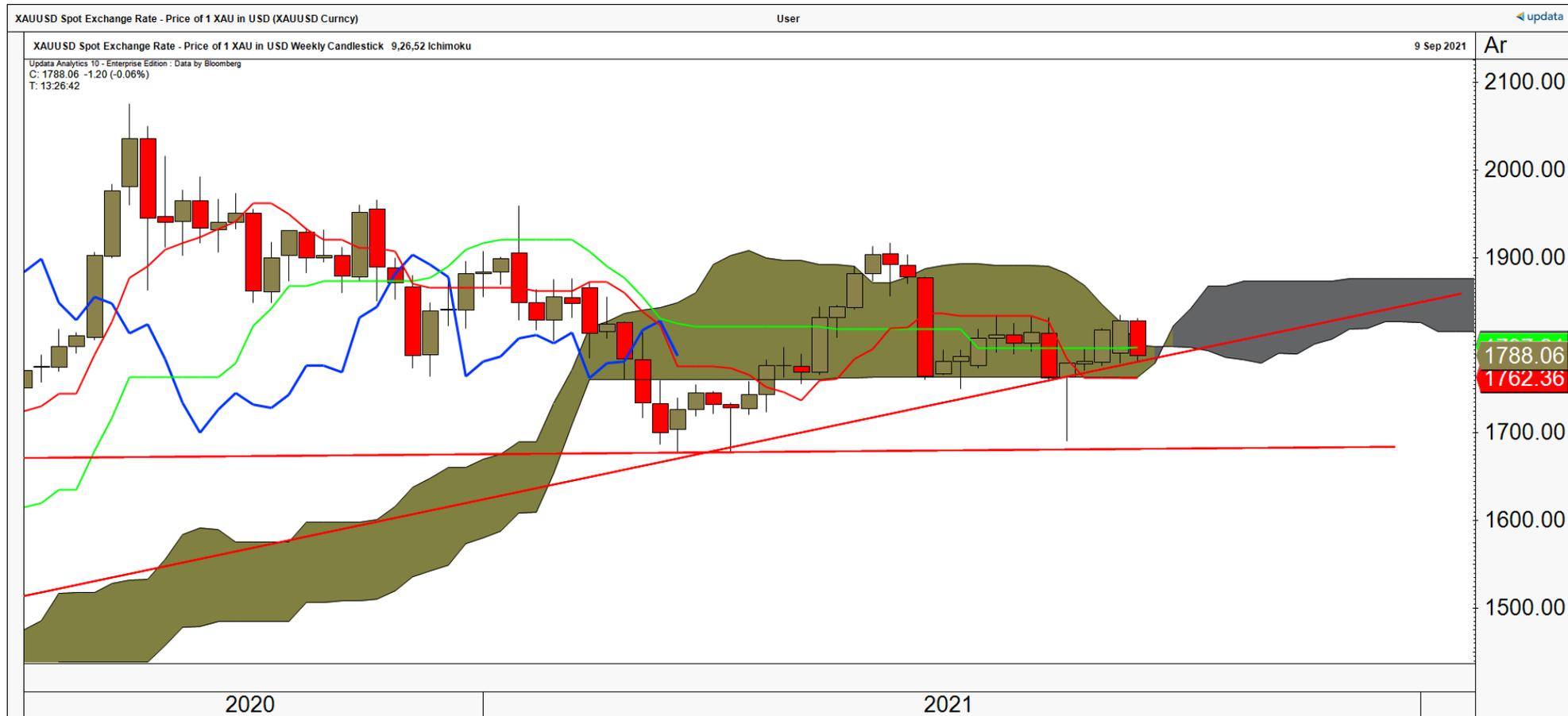
| Week ending on:                        | Weekly Change in Managed Money Positions<br>(Futures only) |          |         |            |
|--|--|----------|---------|------------|
|  | US\$ VWAP  | Longs    | Shorts  | Net change |
| Tuesday, 31 August 2021                | \$2,436.95   | 14,400   | -2,800  | 17,200     |
| Tuesday, 24 August 2021                | \$2,409.83   | -168,100 | 12,800  | -180,900   |
| Tuesday, 17 August 2021                | \$2,595.09   | -53,800  | -39,000 | -14,800    |
| Tuesday, 10 August 2021                | \$2,646.94   | 9,700    | -34,300 | 44,000     |
| Tuesday, 3 August 2021                 | \$2,650.08   | 20,000   | 22,200  | -2,200     |
|  |  | -177,800 | -41,100 | -136,700   |
| Palladium ETF Change in position Ftozs |  |          |         | 7,240      |
| Total change over period               |  |          |         | -129,460   |

# Precious metals positioning and Volume-Weighted Average Pricing (Charts)



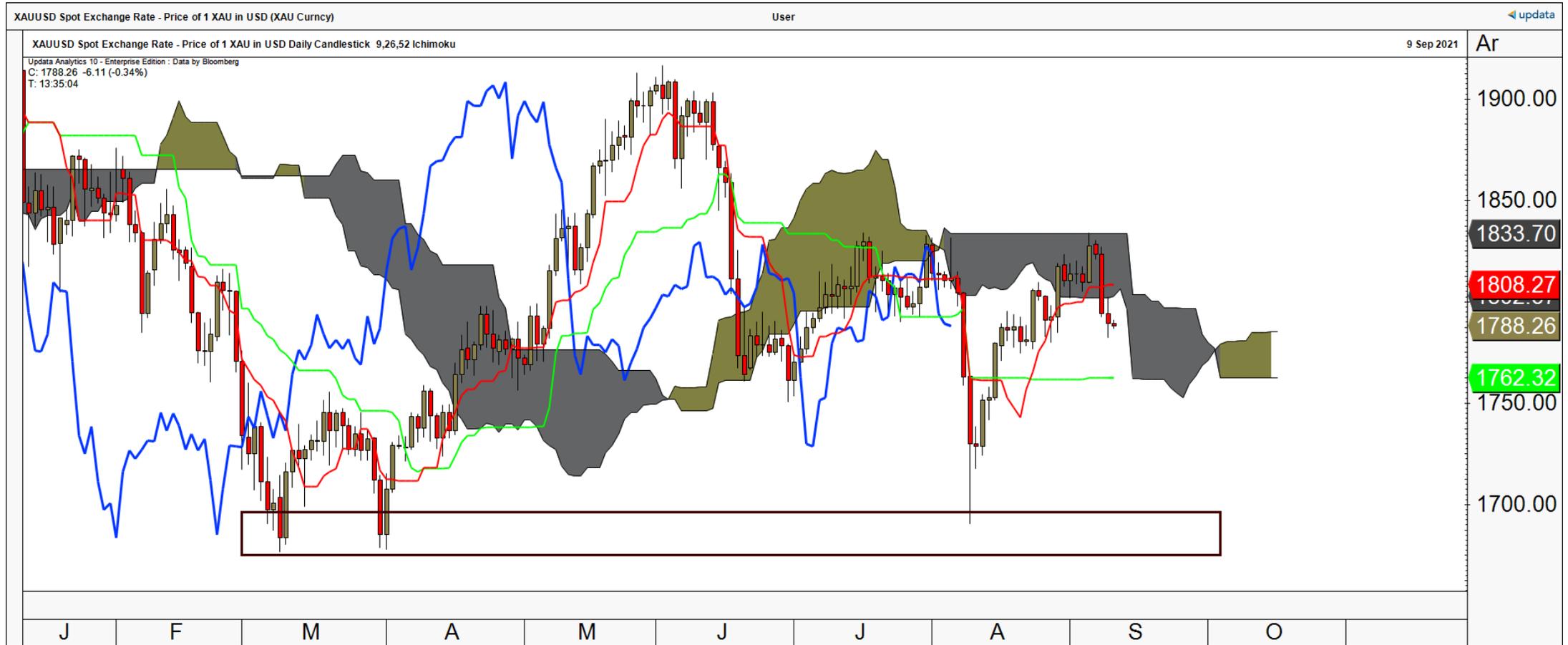
# Weekly Ichimoku Cloud Chart

Gold has respected the trend line support ever since recovering from the substantial drop early last month. The upside has been capped at the US\$1,830-1834 level for several weeks, and a weekly close above that level is key for further upward progress. The first move above the Weekly Cloud was rejected but a close above US\$1,800 is positive.



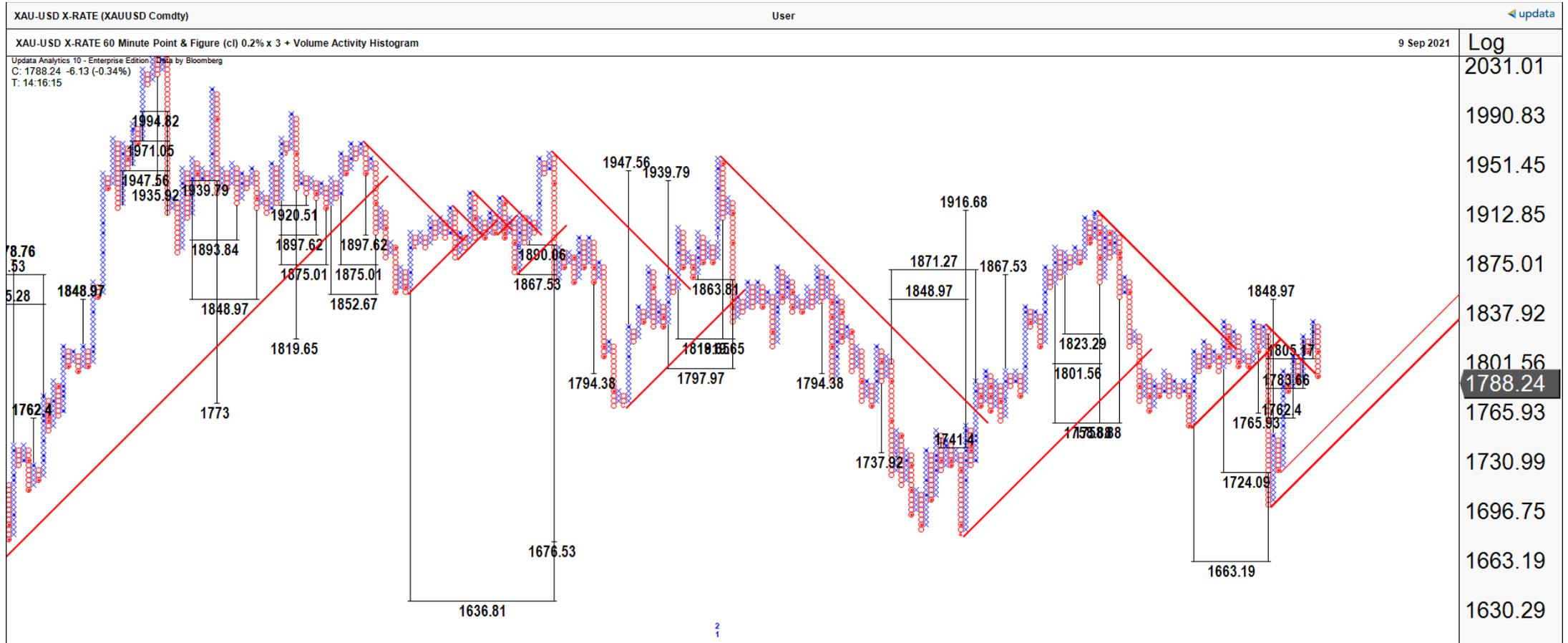
# Daily Ichimoku Cloud Chart

The recovery hit the daily cloud base, paused around US\$1,800 as expected, the pushed to the Daily cloud top resistance, where it halted before plunging. Support at the Daily Standard Line at US\$1,762.



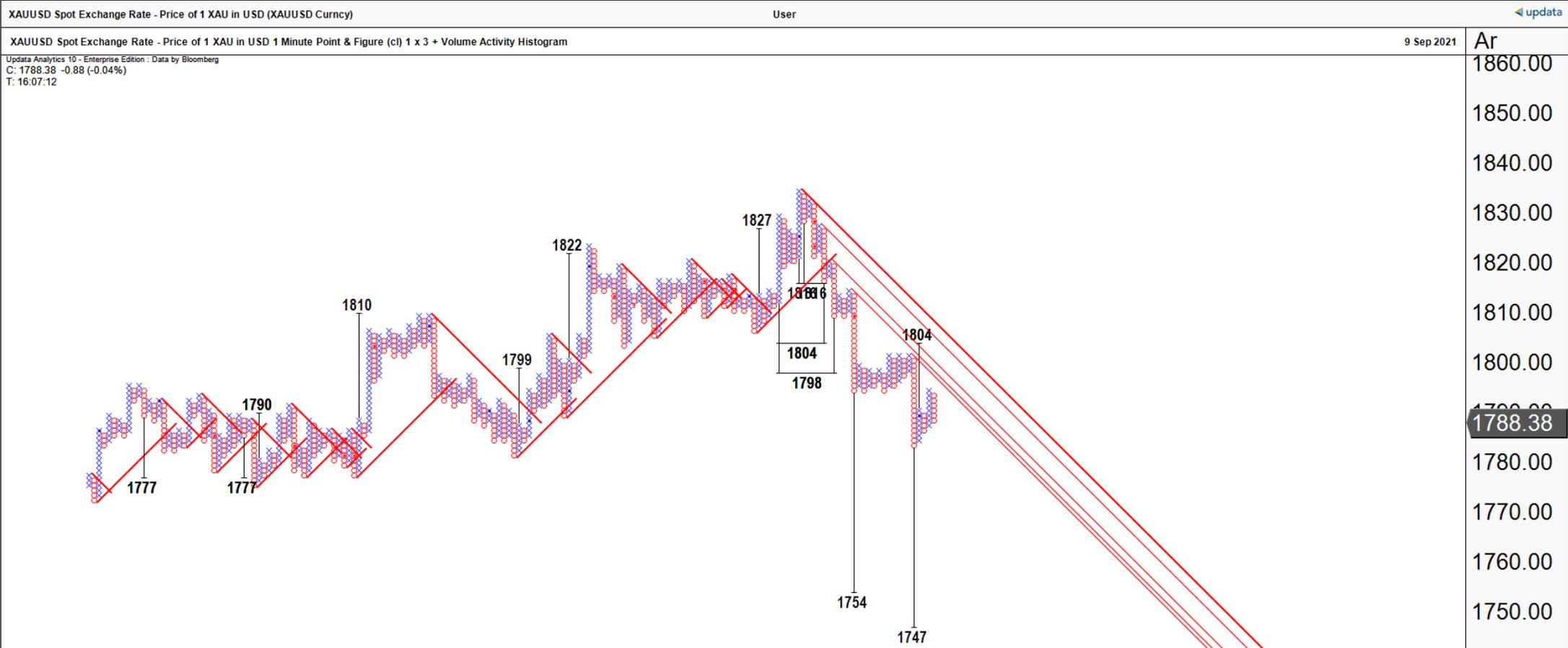
# Gold Hourly Point and Figure – Medium Term

Adjusted for the recent volatility again. As volatility diminished somewhat, the targets shrank along with the implied box size. Supported close by.



# Price Targets via Point and Figure – Short Term

Scope to explore the downside but expecting gold to cycle back higher if the downside targets are touched.



# Gold in AUD via Weekly Ichimoku Cloud

The rally has yet to make it up through the Weekly cloud top resistance, not helped by the sharp rally in the AUD. Support at A\$2,407.



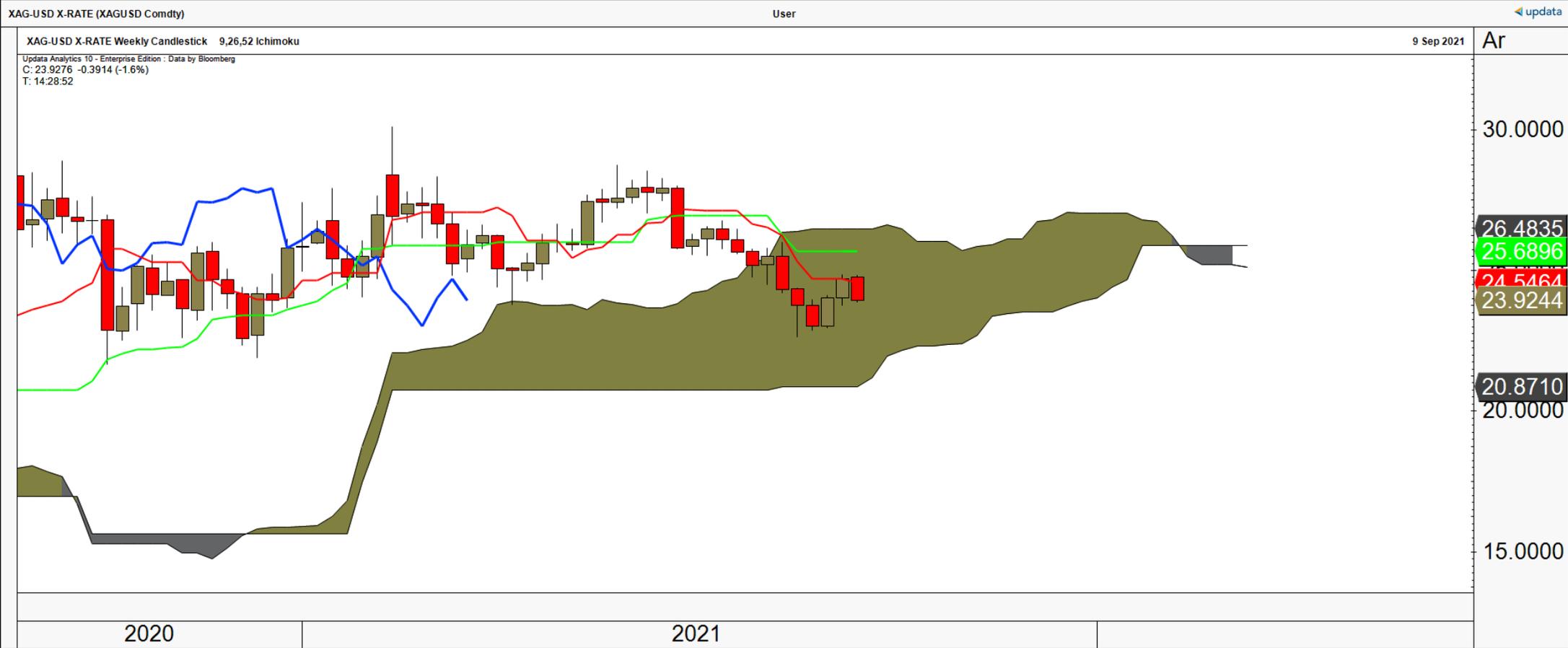
# Gold-Silver Ratio

The ratio moved towards 78 before strengthening again. Ultimately still rangebound. Getting through 73-74 looks difficult.



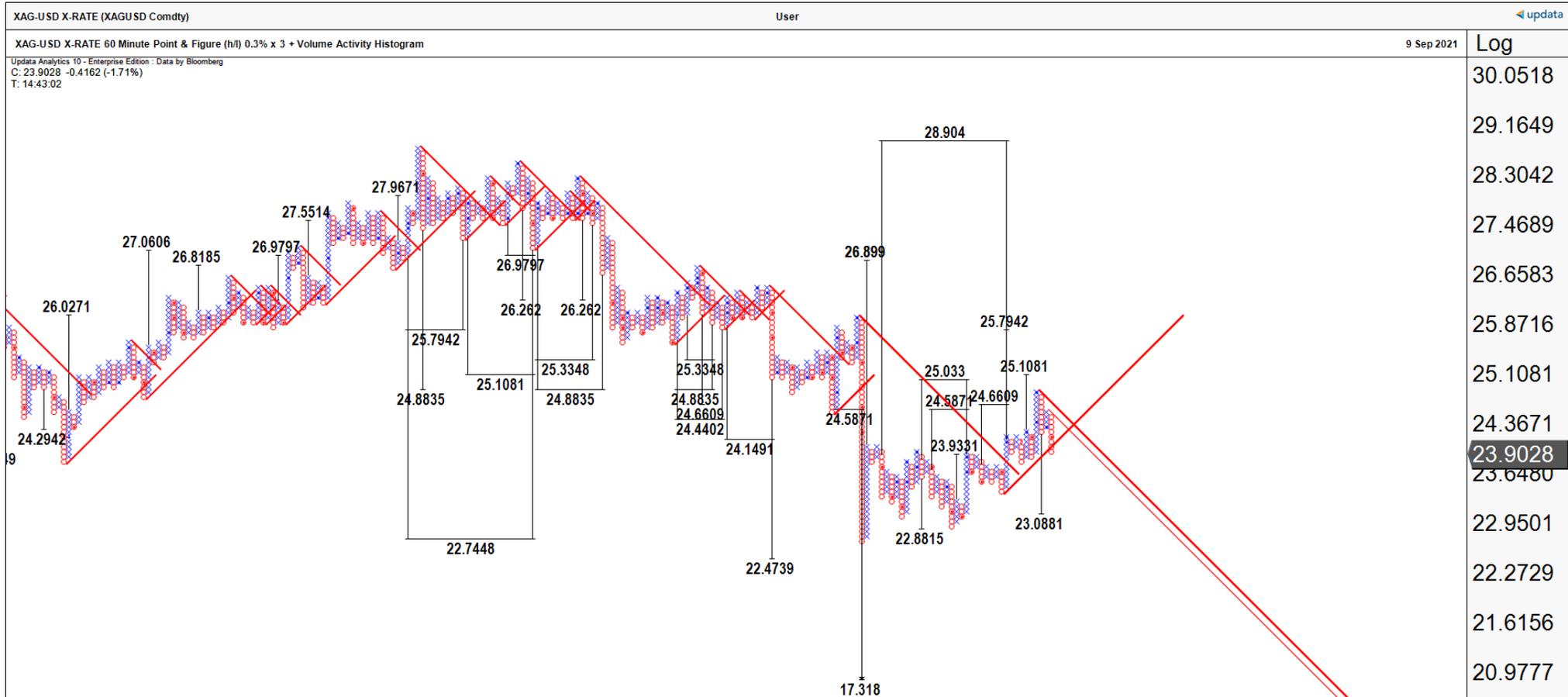
# Silver in USD (Weekly)

The macro view of silver. Held the right levels and now finding resistance at the Weekly Turning Line (red). Resistance at US\$25.69 and US\$26.48. Support at US\$21.660-80, then US\$20.87.



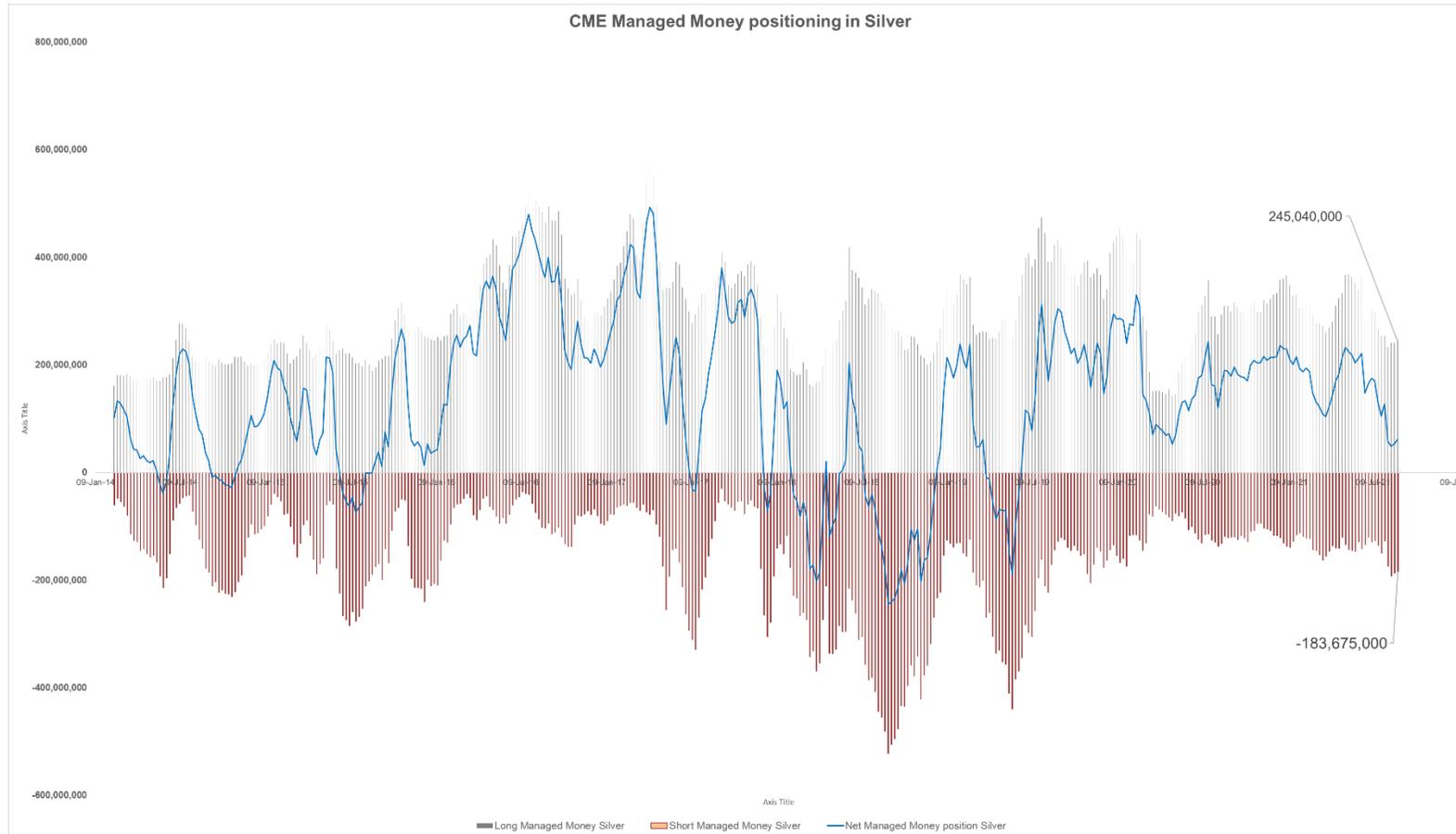
# Silver in USD – Hourly Point and Figure

Targets for the XAGUUSD medium term. Plenty of constructive targets higher after substantial downside targets were met. Recent price action suggests lower within the recent area of consolidation between US\$22.80-23.60?



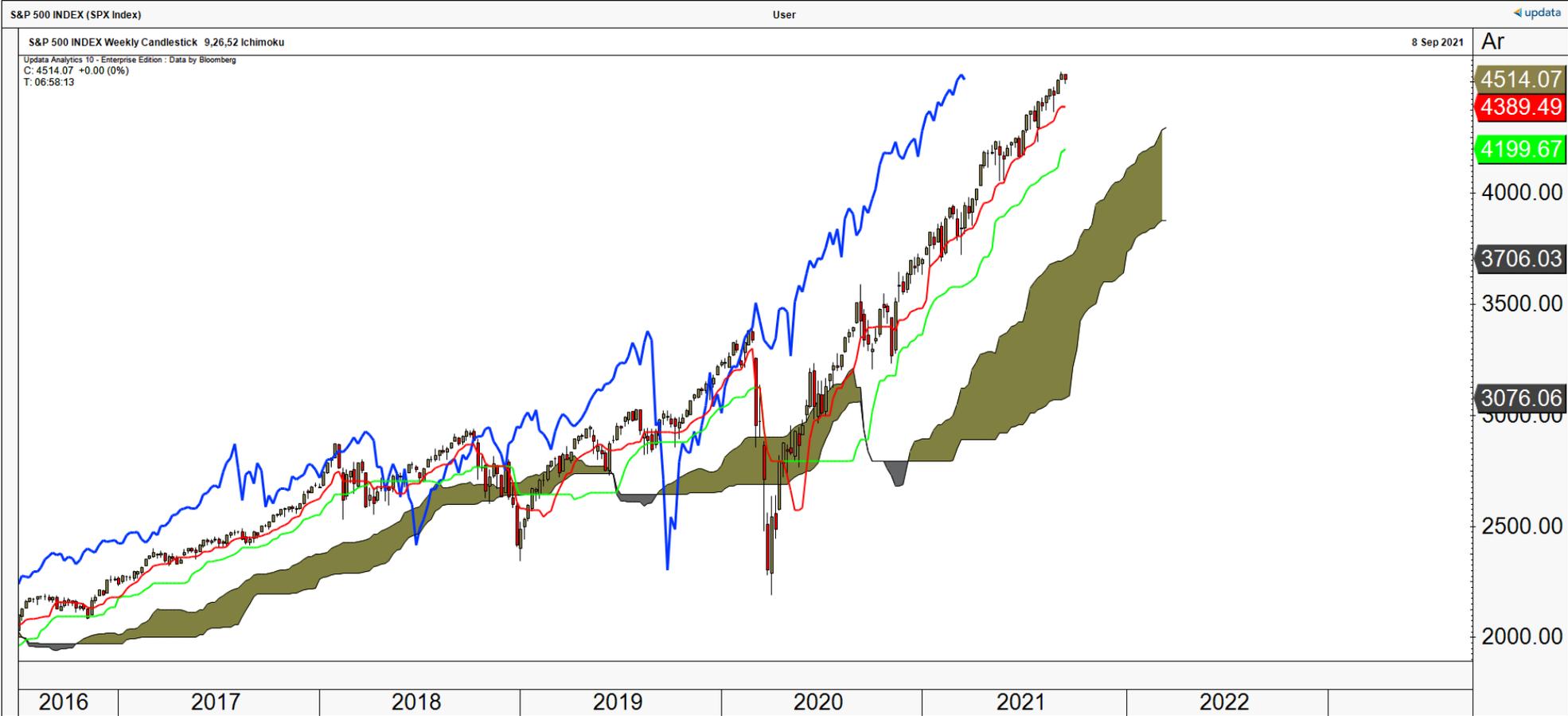
# Overview of Managed Money Positioning in Silver

The reduction in Managed Money silver longs finally stabilises after the long draw-down over the last two months. Short positioning grew by 63 million Tozs since the end of June.



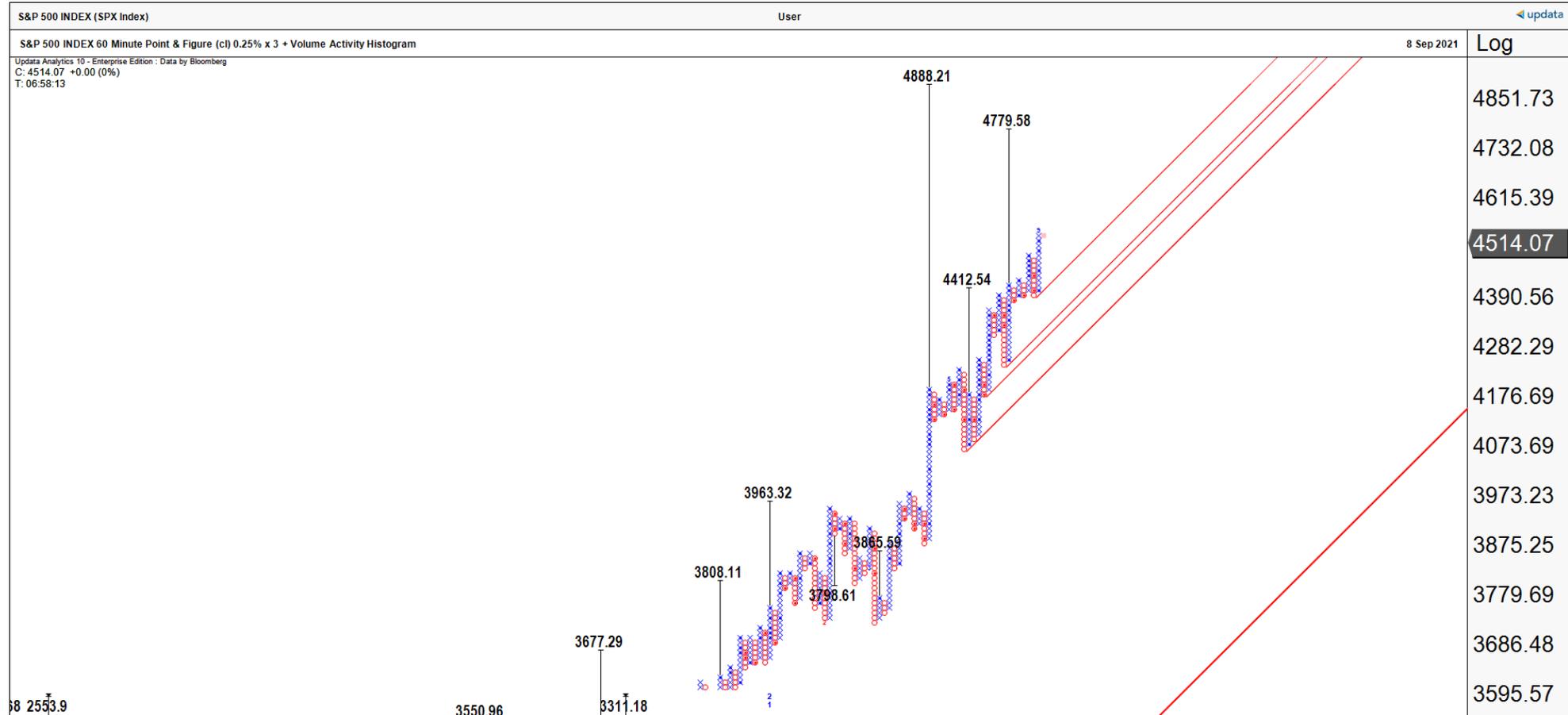
# Equities - the SPX

An ongoing sequence of all-time highs. The Weekly Turning Line is the level to watch below, currently at 4,389. Then the 4,200 level. *'The trend is your friend...until the very end.'* Earnings better be amazing...



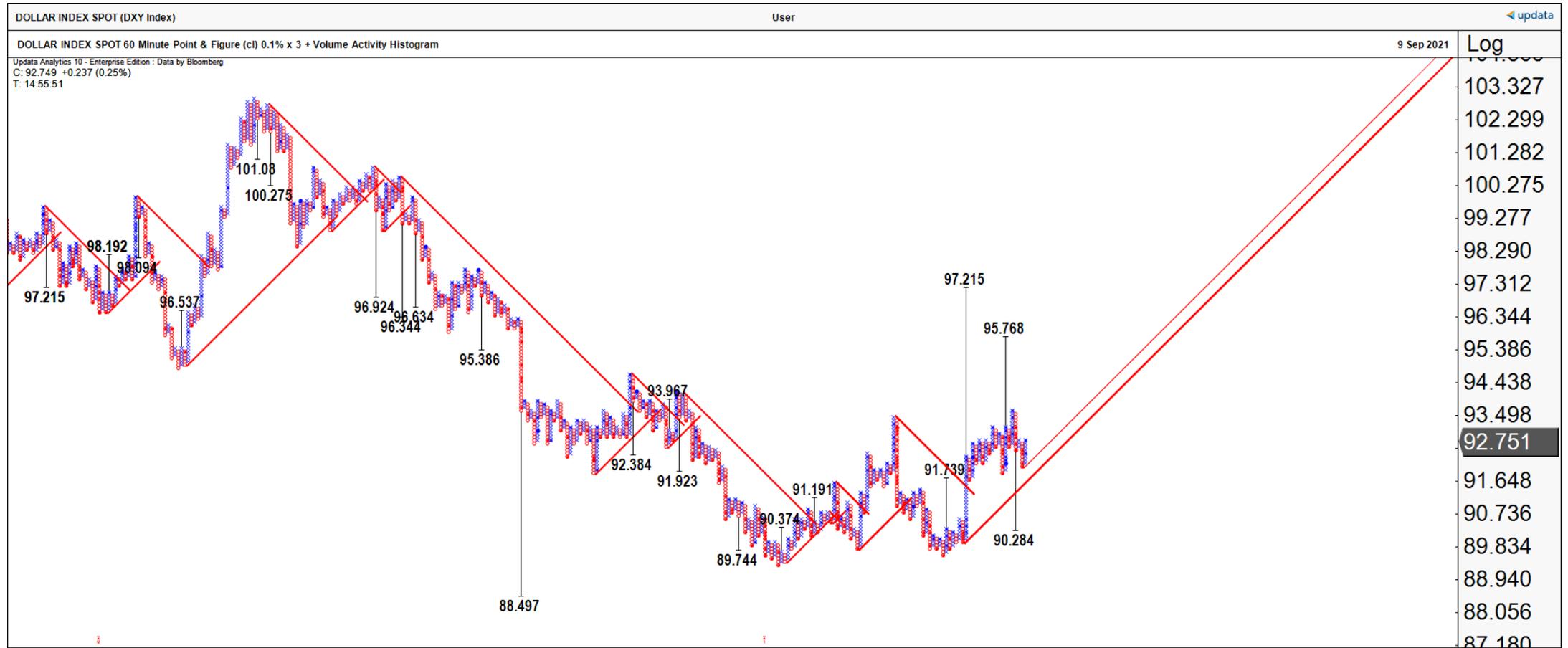
# SPX Hourly Chart with Targets

Price action leaves the remaining targets, in the event of a melt-up.



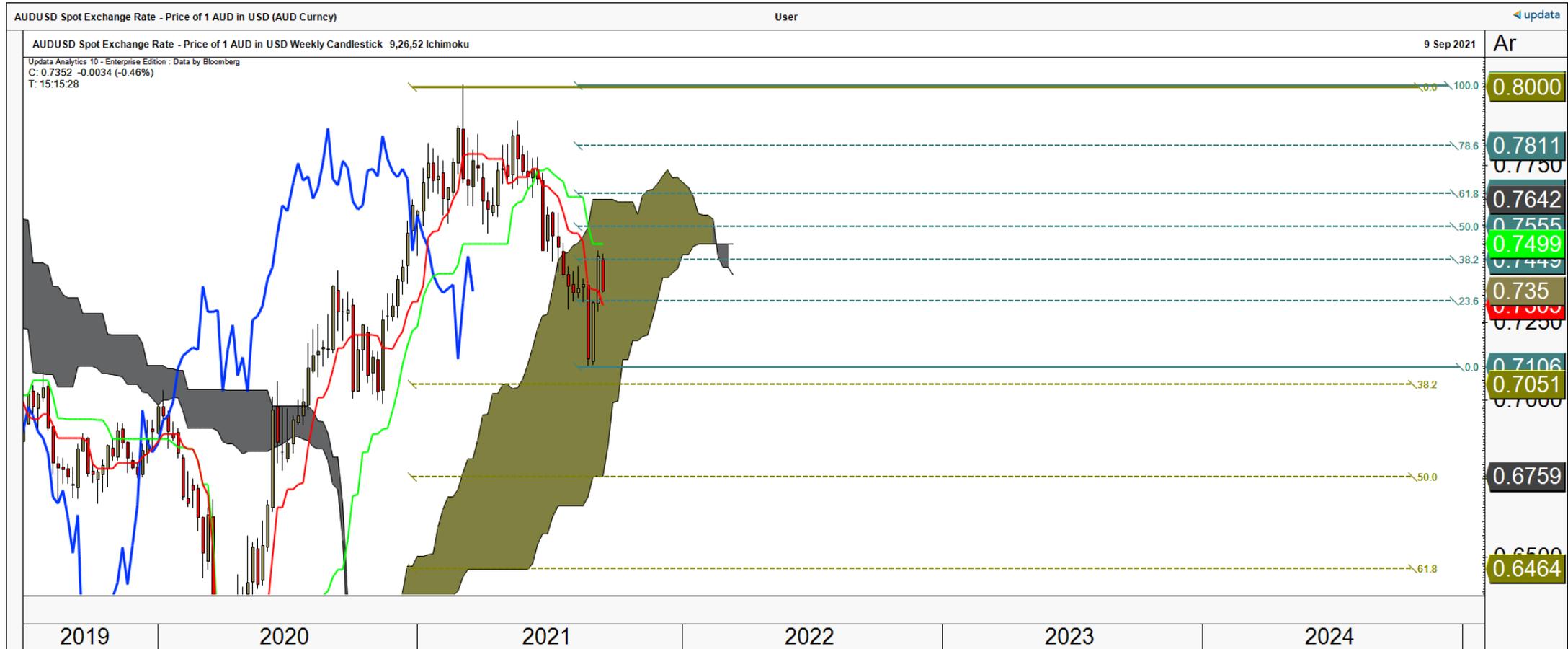
# The Dollar – DXY

Hourly Point and Figure. Shaken but still constructive, looking for support at 91.80 again. 93.50 critical.



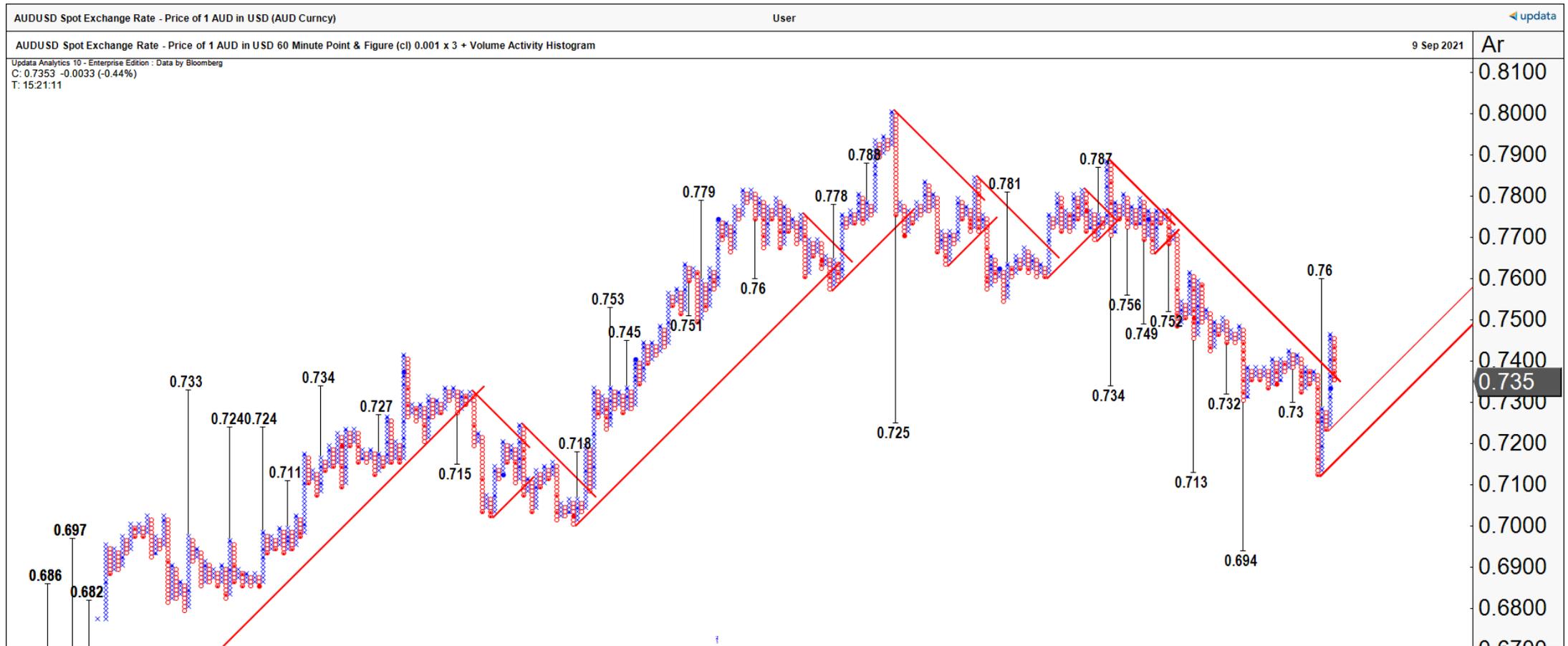
# AUD Weekly Ichimoku Cloud

The AUD found support 'near' the 0.382 retracement of the March 2020-February 2021 move. AUD shorts had plenty to take off the table. The swift recovery finding resistance around the 0.382 retracement of the Feb-Aug down move, and near the Weekly Standard line, now at 0.75. Expecting the market to remain a little firm with significant shorts remaining out there. Is there an 'Evergrande' factor lurking?



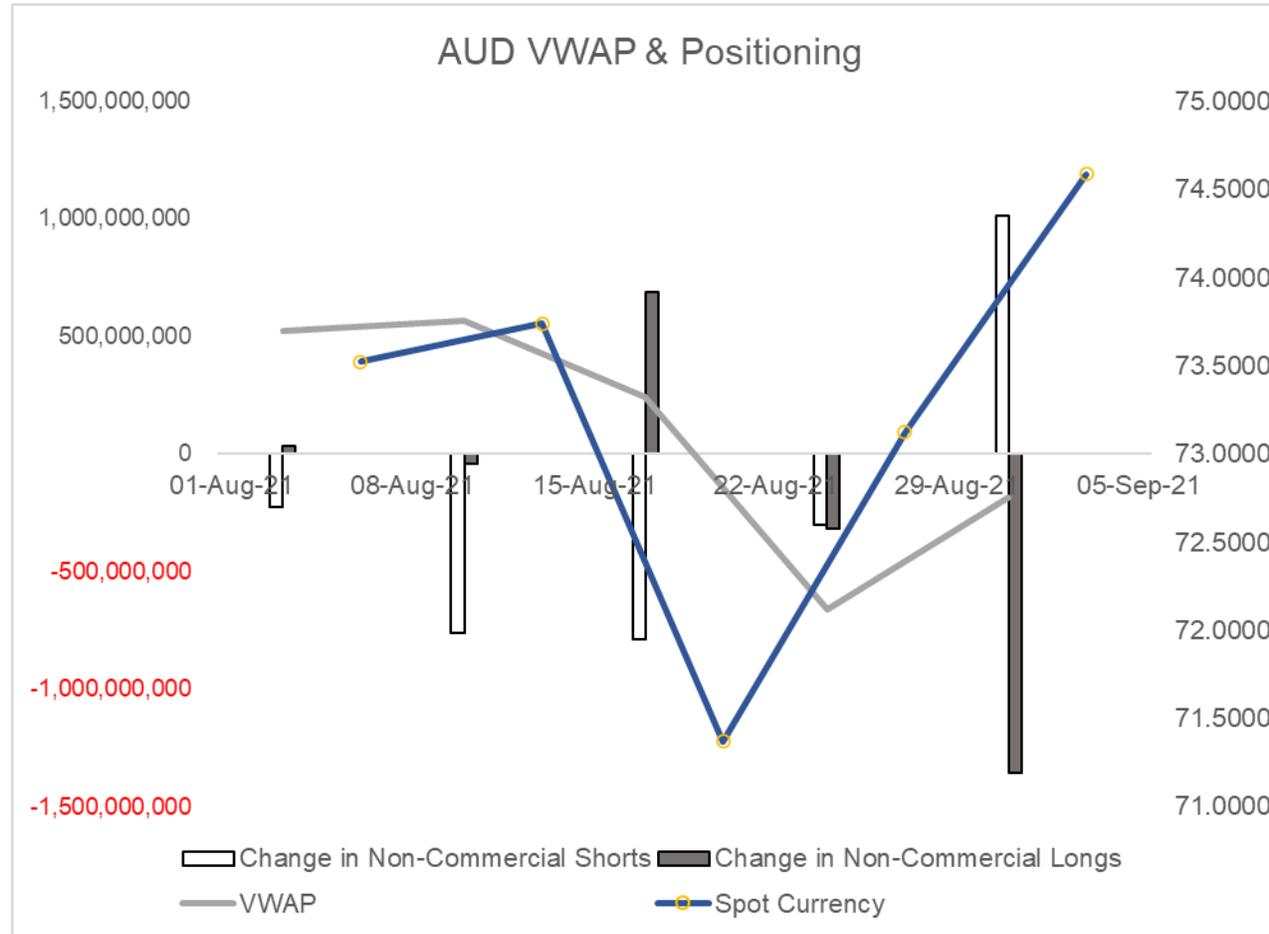
# The AUD Hourly Point and Figure

'...worth bearing in mind that non-commercials are as short as they have been since Q1 2020, and any positive news for the AUD may result in a sharp rally driven by shorts trimming some of the recent position size.' True. In fact, net positioning didn't change much as longs took advantage of the shorts buying back to ease out of some of their recent positions. Since the last COT numbers, which showed a reduction about a billion AUD in Non-Commercial shorts, open interest reduced between September 1<sup>st</sup> and 3<sup>rd</sup> by another 1.091 billion AUD. BUT... Sept 8<sup>th</sup> showed another major increase in open interest on very high volume. Are shorts stacking up again?



# AUD Positioning and VWAP

The blue line shows the progress of the AUD (very coarsely) and the opening gap between that the grey VWAP line showed the opportunity for both fresh shorts to take money off the table and for some longs to get out while the going was good.



# Where to From Here?

US\$1,830 still matters.

Physical demand is rebounding with the drop in prices. Recent data shows Chinese demand has been impressive in August at about 150 mt.

The longer-term outlook is complicated by weak prints in the US labour market data, and the resulting uncertainty in the timing around tapering and more particularly the timing around explicit tightening.

Some Central banks are cautiously edging towards tapering – the Bank of Korea stole a lead and has tightened – citing the need to control ‘imbalances’.

None of the above factors are translating into significant investor-led demand. While Managed Money flows are positive and have reversed the significant drop in the first half of August, gross longs are barely above the average of the previous 12 months.

A close above US\$1,840 (at least) looks necessary to start changing this dynamic.

Until next time,

**Nicholas Frappell**  
Global General Manager, ABC Bullion



| Resistance |  |
|------------|--|
| US\$2,172  | Next as-yet unachieved target on the Daily 2% Point and Figure |
| US\$2,076  | Recent high  |
| US\$1,897  | 78.60% Fib retracement of the November '20 high.               |

| Supports  |  |
|-----------|--|
| US\$1,676 | Just under recent low, adjacent to June 2020 lows.             |
| US\$1,587 | Sept. intersect of Monthly trend line extending from 2018 lows |

| Targets (Upside) |  |     |
|------------------|--|-----|
| US\$2,340        | Basis Daily US\$20 (newly created) 20% in 24 mo. | 0%  |
| US\$2,172        | 2% Daily Point and Figure.                       | 2%  |
| US\$1,876        | Basis hourly chart above (0.21% box size)        | 27% |

| Targets (Downside) |  |    |
|--------------------|--|----|
| US\$1,580          | Daily US\$20 Point and Figure – less remote now. | 6% |

All target probabilities basis spot US\$1,790 for 3 months, and created by solving for option delta on the Bloomberg option pricer.

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