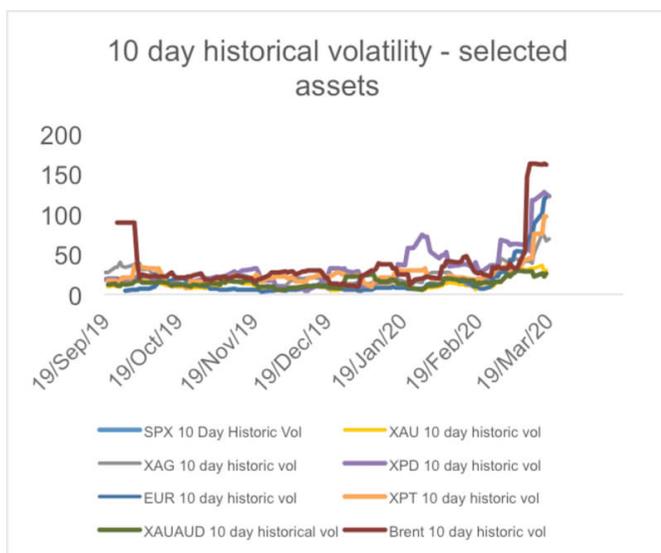


# ABC Bullion Monthly Technical and Precious Metals Positioning Report - Gold - March 2020

By Nicholas Frappell

## Gold – In Brief

A remarkable month. The sudden increase in European COVID-19 cases and deaths, particular in Italy. (see [Johns Hopkins CSSE](#) for the latest data.) and a wave of lock-downs across the globe propelled equities downwards, and helped push crude lower, forcing gold down as markets drove for cash. Prices have moved so much and so quickly that this report is in its fourth iteration. I can't keep re-writing it to keep up with ongoing changes, so accept that some charts will look positively historic by the time you read this.



US Fed Funds 0.00 %

US Retail Sales -0.50 % m/m

US Empire State Manufacturing Index -21.50

ISM Manufacturing Prices 45.90

China Industrial production y/y -13.50 %

German ZEW Economic Sentiment -49.50.

Eurozone Industrial production in December down -2.10 % m/m.

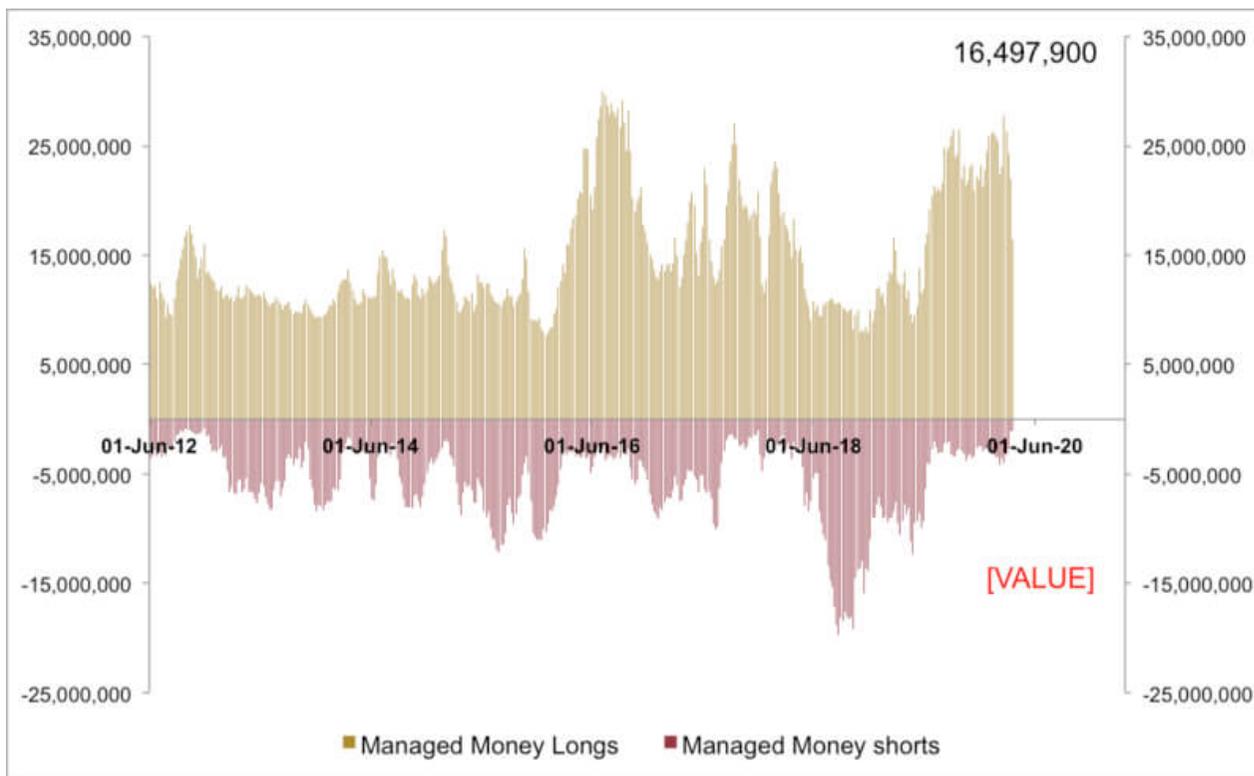
Bank of England Monetary Policy Committee voted unanimously (9-0) for GBP 645 Billion QE

## Money and Interest Rates

The Fed dropped to zero mid-March, with the BOE dropping to 0.100 pct., with the ECB launching a EUR 750 billion bond and commercial paper buying program that enables the bank to support short term debt issuance by Eurozone corporations. Banks are seeing a degree of flexibility from regulators regarding non-performing loans, to avoid a rapid and counter-cyclical reduction in capital buffers.

### Quick Overview of Managed Money Positioning in Gold (See page 3 for weighted average prices and shifts in weekly holdings)

Managed money length declined by about 5.57 million FTozs in the week of 10<sup>th</sup>-17<sup>th</sup> March, and by 11.33 million Tozs since the 18<sup>th</sup> of Feb peak, a mighty 41 % exodus. Since the 17<sup>th</sup>, total Open Interest has shrunk by about 19,500 lots, or 1.95 million FTozs, which looks like long liquidation on Wednesday and Thursday, primarily.



### Gold Positioning and Volume-Weighted Average Pricing

A wave of long liquidation from late February onwards at good levels (on an aggregate basis, February arrivals got long at around US\$1,575, and left at around US\$1,642) Longs haven't been this shy since June 2019, nine months ago, and that makes me feel relatively optimistic about gold, particularly given where gold's descent stopped on the weekly cloud chart.

VWAP for the Week ending on:	Weekly Change in Managed Money Positions (Futures only)			
	US\$ VWAP	Longs	Shorts	Net change
Tuesday, 17 March 2020	\$1,573.88	-5,566,300	44,300	-5,610,600
Tuesday, 10 March 2020	\$1,657.52	-2,227,900	-1,710,300	-517,600
Tuesday, 3 March 2020	\$1,631.37	-2,029,700	-481,200	-1,548,500
Tuesday, 25 February 2020	\$1,639.52	-1,506,800	-736,800	-770,000
Tuesday, 18 February 2020	\$1,581.59	4,678,700	391,200	4,287,500
Tuesday, 11 February 2020	\$1,567.96	773,700	-632,400	1,406,100
Tuesday, 4 February 2020	\$1,579.80	-3,049,700	783,100	-3,832,800
		-8,928,000	-2,342,100	-6,585,900
Gold ETF Change in position (Since February the 20th ) FTozs				3,718,000
Total change over period				-2,867,900

## Weekly Ichimoku Cloud Chart

The huge break-down in gold found support at the Weekly Cloud top, from where it staged a decent rebound. That support level is now at US\$1,460. This chart is still bullish. The rebound blew through resistance at the Fibonacci levels, but so far is failing to close above the key 61.80 % retracement around US\$1,608 after spiking up to the 78.60 % retracement and dropping back.

Trend line support comes in at US\$1,397.



## Daily Ichimoku Cloud Chart

The daily chart has reverted back to bullish. Nearby support at US\$1,582.

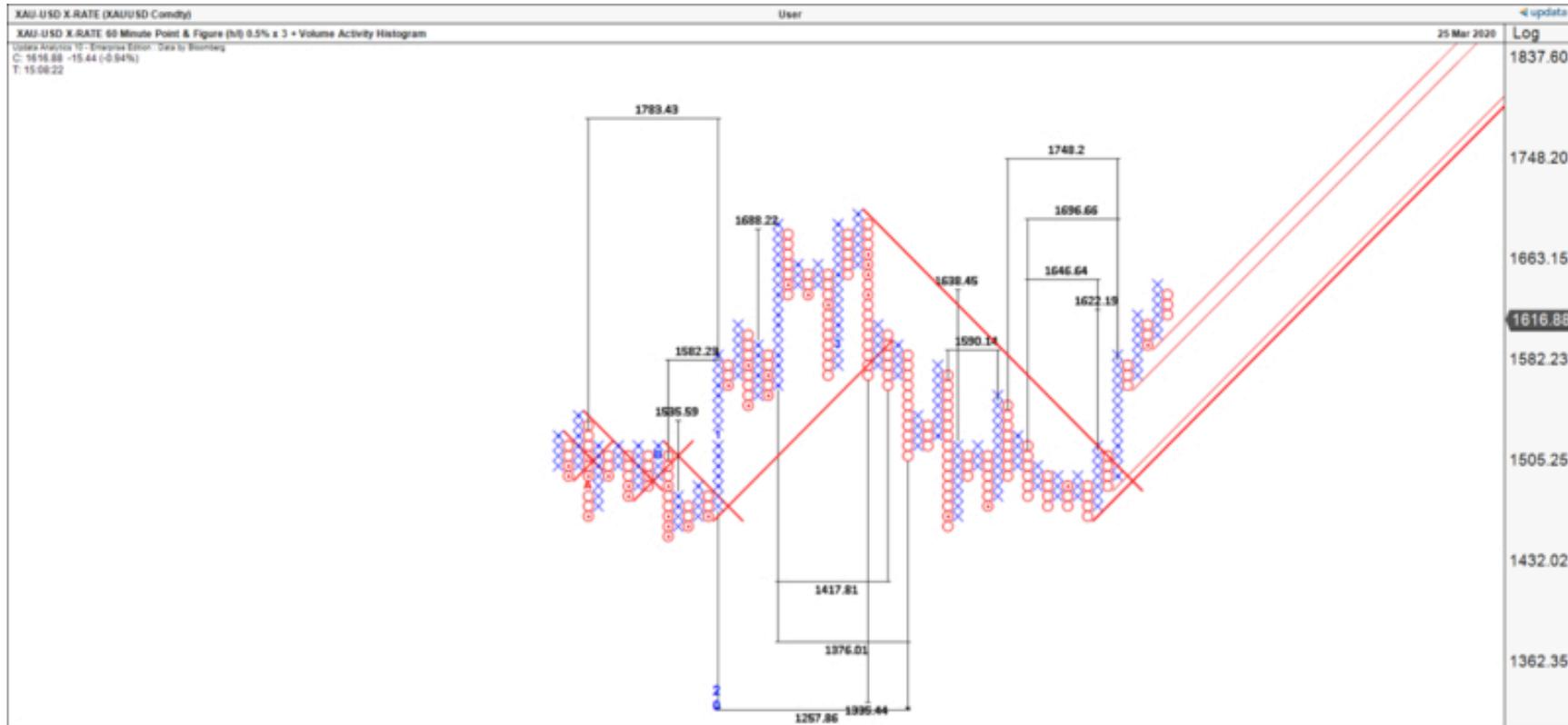
Support around US\$1,445, the November lows.





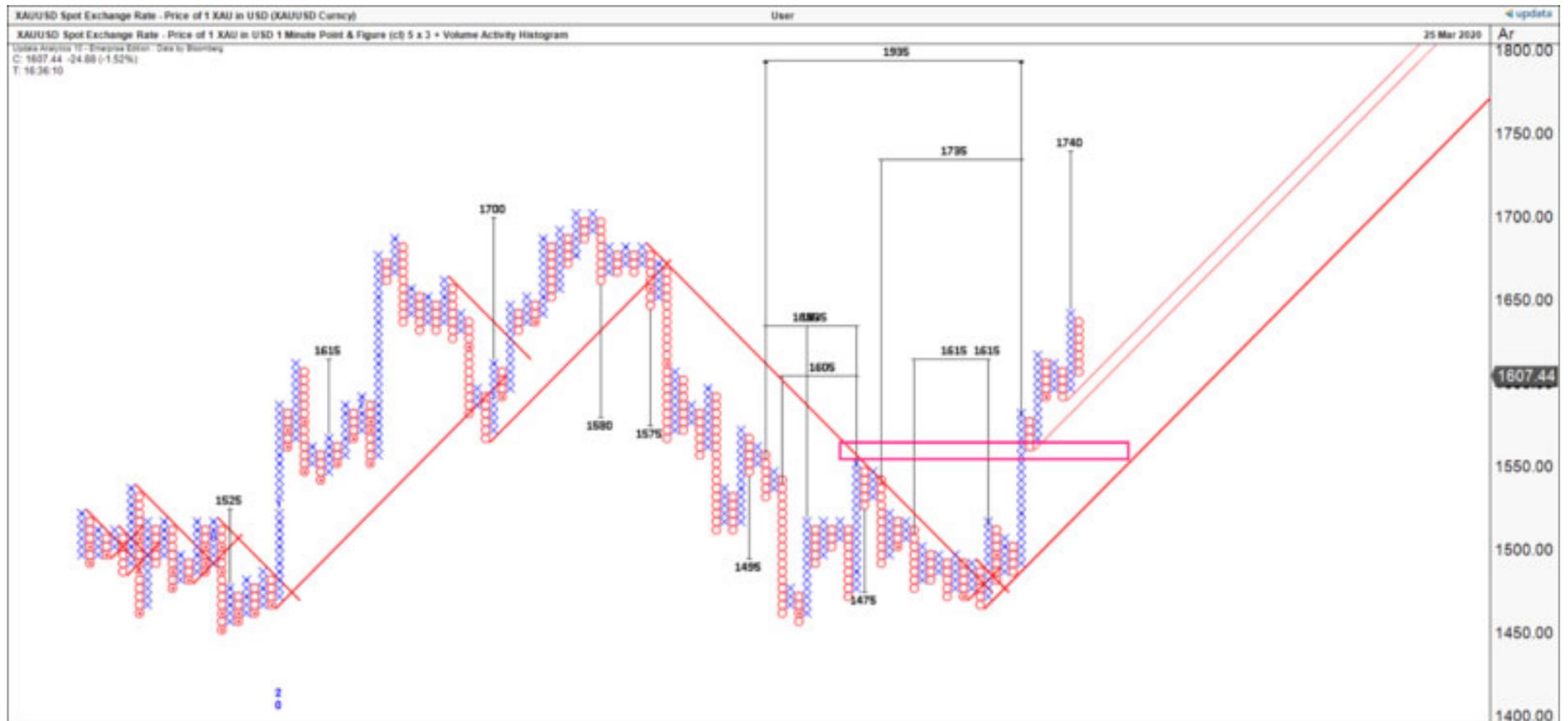
### Gold Hourly Point and Figure – Medium Term

Positive price action – US\$1,646 almost achieved, look for resistance near past highs in the US\$1,696-1,704 band.



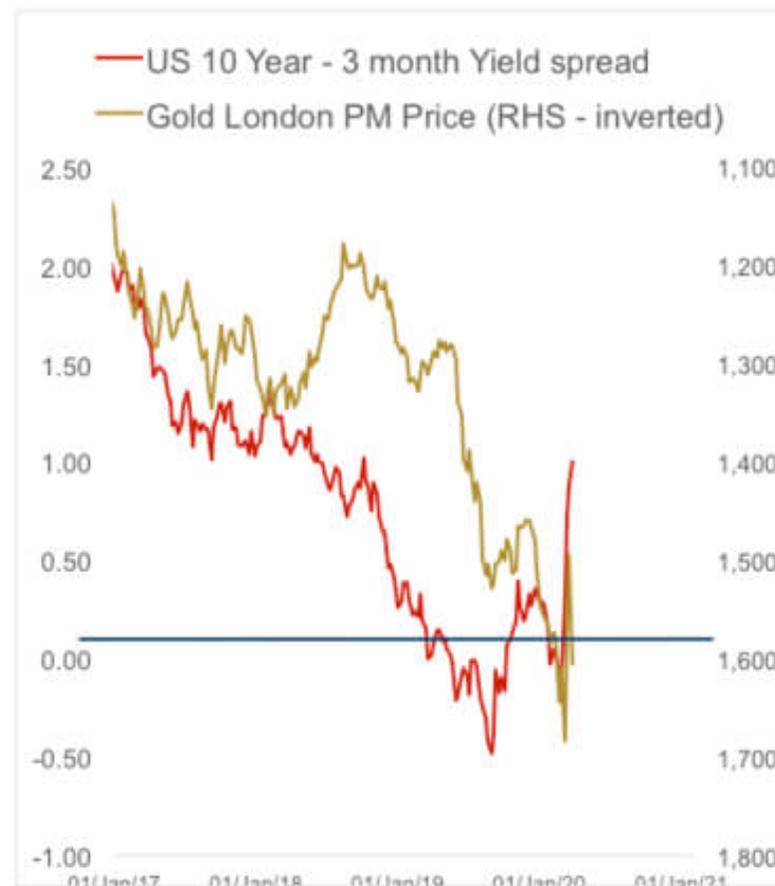
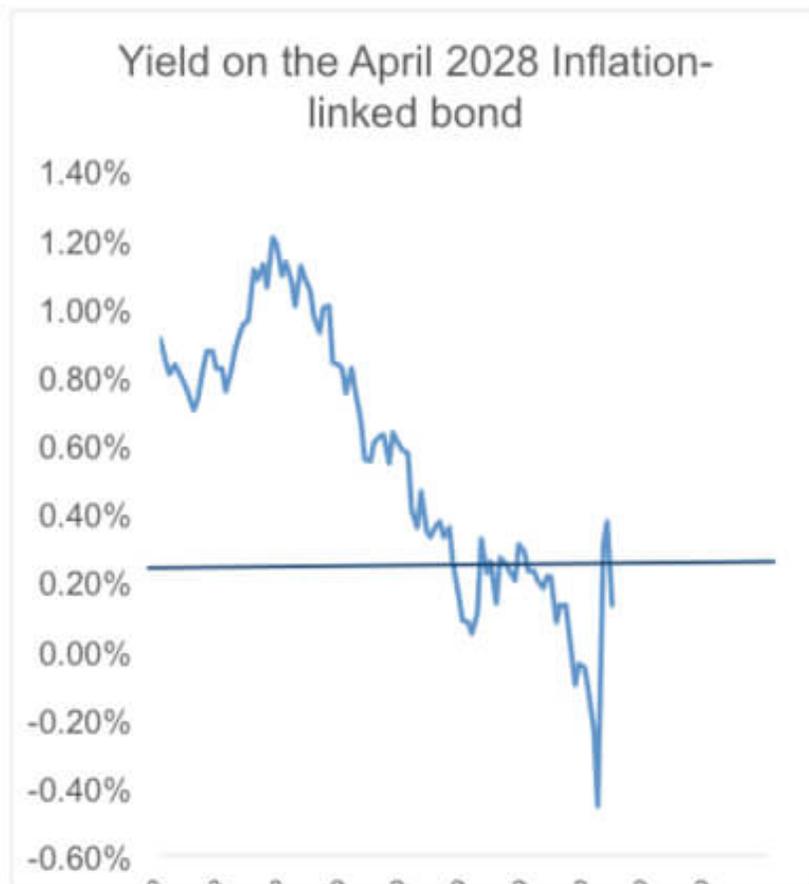
### Price Targets via Point and Figure – Short Term

Given massive spreads in the spot market it makes sense to widen the box size out to US\$5. Targets to fresh highs. Expect support above US\$1,540, roughly the level of the magenta rectangle.



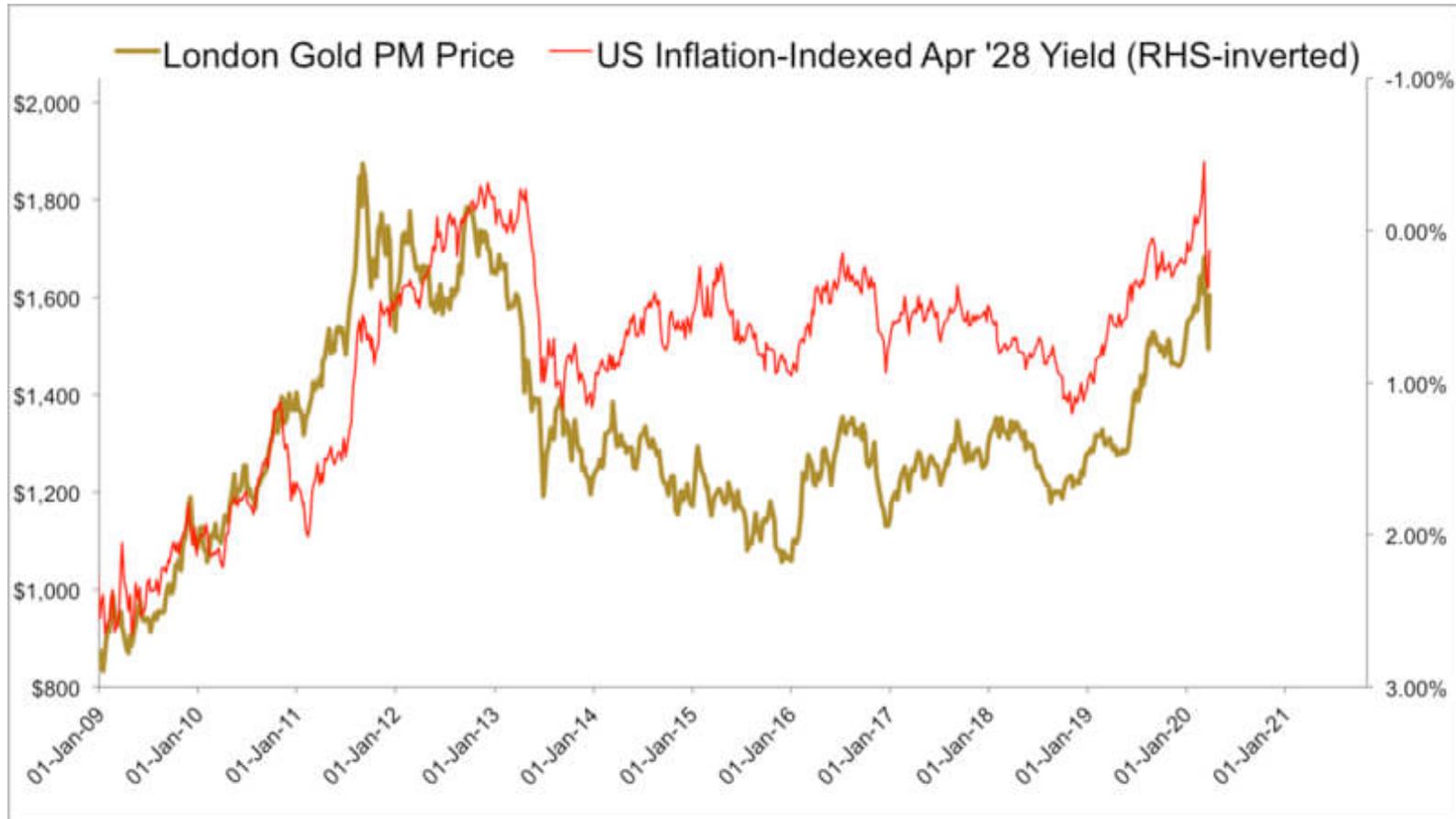
### The Inflation-linked Bond Yield & the US Yield Curve

A huge -snap-back in yields. The gold is diverging somewhat from the yield spread.



### Gold prices and the yield on the April 2028 US inflation-linked bond

The relationship still holds nicely. Regressing gold prices on the yield shows that the inflation-adjusted yield can explain about 75 % of gold's moves.



## Gold-Silver Ratio

Well and truly outside of Kansas City limits on this one too. Increasing the box size to filter out some of the noise suggests a 109-118 range with a target towards 101. The Daily Chart implies a long-term return to 87. Silver's shorter-term outlook has been driven by concerns over a severe demand shock arising from Coronavirus.



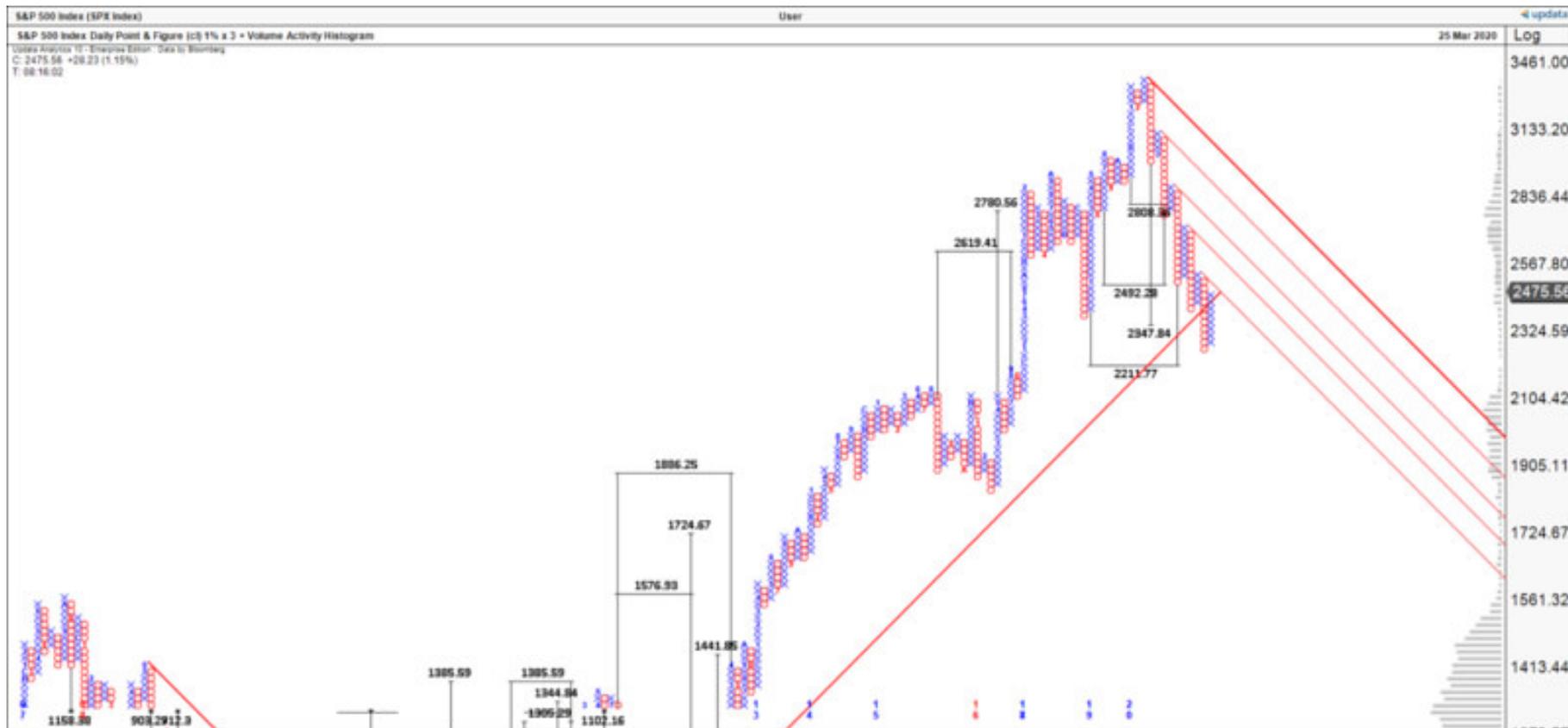
## Equities - the SPX

Brutal moves, with a moment when most of the gains of the last half decade wiped out. However, standing well back its interesting that the current price (c. 2,475) has recovered to sit on a trend line extending back to the April 2009 low.



## SPX Daily Chart with Targets

The SPX has reached all of the recently created downside targets, after making a low of 2,192. (The recent volatility means all the downside targets were created after February the 27<sup>th</sup>, so very little heads-up.) This allows for the possibility of a rebound, possibly to 2,900. A break lower would target 2,018 basis more medium-term observations.



## The Dollar – DXY

The 102 level target was exceeded in the dash for safety.

Targets on the Daily Log point and figure to 102.00 on the DXY. Support at 98.80 and 98.10 at the Weekly Turning line and Weekly Cloud top respectively. Current price action suggests that the index will weaken toward 100.40 and 98.



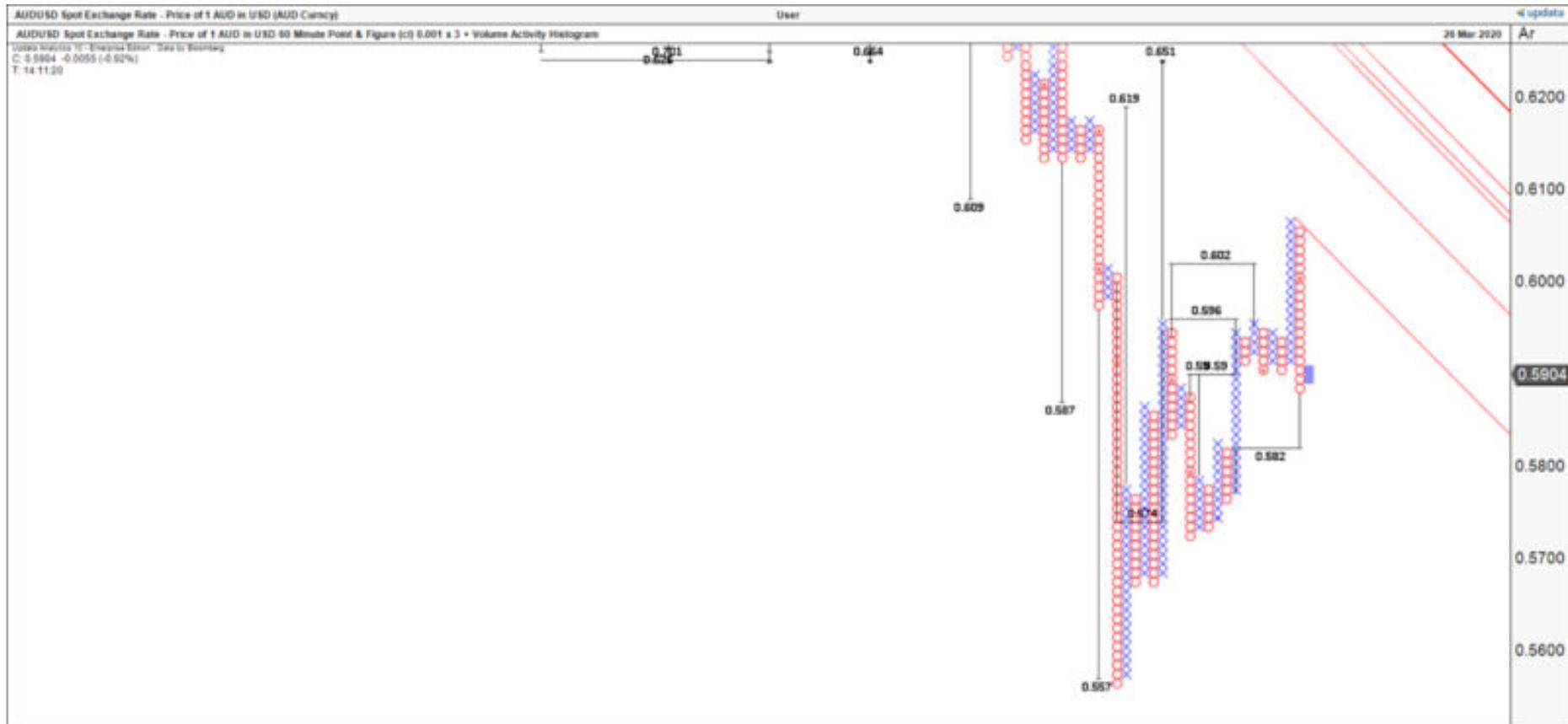
### AUD Weekly Cloud

After (almost) touching the 0.545 target on the Daily log Point and Figure chart, there is scope for a slight rebound in the Aussie. Non-commercial shorts reached the 'shortest' level in twenty years in the week ending March the 3<sup>rd</sup>, accordingly upward pressure on the currency may be a feature as shorts look for levels to take profit. As it is, shorts have reduced by 42 % or 4.88 billion AUD over the fourteen days between the 3<sup>rd</sup> and the 17<sup>th</sup> of March.



## The AUD Hourly Point and Figure

Showing price action from mid-March onwards, this excerpt from the Hourly Point and figure indicates the chances of a recovery back to 0.62 and 0.651 within a longer-term bearish structure.



## Where to from Here?

The impact of coronavirus on the real economy, the reappearance of QE, unlimited bond-buying from the Fed, along with rampant rate-cutting all support gold in the long run, however with huge and destabilising flows across assets in March, gold also had huge volatility, and tested the resolve of bulls.

**Resistance** US\$1,734-40 78.60 % retracement of the 2011-2015 move, and a target on the US\$15 Daily gold point and figure

US\$1,707 Target on the 1 % Daily gold point and figure and very close to the recent high

**Supports** US\$1,459 Weekly Cloud top

**Basis spot US\$1,626 3 months**

**Targets** **US\$1,740 Long term (Daily) Point and Figure (37 %)**

**US\$1,707 Long term (Daily) Point and Figure (42 %)**

**Targets** **Downside targets reappeared.**

**(Downside)** **US\$1,417 Hourly medium term (17 %)**

**US\$1,193 Hourly medium term (3 % - yeah, almost no chance)**

END