



ABC<sup>®</sup>  
BULLION

# ABC Bullion Monthly Precious Metals Technical Analysis Report

November 2021

# Gold – In Brief

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At the close of a year full of switchbacks and drama – with the potential for more drama to come in 2022 – it is tempting to lean back hard and pull the ‘portentousness’ lever to ‘maximum’, then dial the old Bakelite tuning switch to ‘11’ for a review of what’s gone before.

2021 was largely risk-on which is why gold net positioning rarely troubled the long-term average of Managed money positioning, and possibly why some solid rallies were sold off, as much of the year was dominated by re-opening, supply chain issues, and the ebb and flow of Coronavirus variants. The background music was largely supplied by a tremendous and monetary fiscal boost from the United States and the evidence of ‘risk on’ in other assets was visible in the behaviour and returns of both US equities and crypto.

Gold bulls were partly confounded by the persistent rally in the US dollar, which ran counter to concerns over deficit financing, and was more likely the reflection of higher US yields, and an inflow into higher-yielding US assets generally. To over simplify, never bet against America, to quote both a respected former colleague, and Singapore’s Prime Minister, Lee Hsien Loong. \*

Given the huge flows of money into equities, and by extension, not into fixed income, it seems notable just how robust low yields remained through the year.

Pivotal changes in the year have to include the Chinese property market, a giant sector that choked when the CCP tightened financing rules with ‘three red lines’ around liabilities to total assets, Net debt to equity and cash to short term debt. The aims were good, the timing was dreadful – inasmuch as the moment to take the property sector excesses in hand had passed already. Nomura estimate total debt owned by developers at the equivalent of US\$5 trillion, out of a US\$27 trillion stock of corporate debt and data shows that the debt burden from consumer loans and mortgages is growing rapidly. Deleveraging in this kind of environment is likely to involve pain.

Combining the above with a ‘zero covid’ policy may mean a tough 2022 for China, and a very different demand pattern for Chinese consumption and imports.

In America, the epicentre of the current inflation problem, the key issue is whether inflation expectations take hold or not? The answer at the moment seems to be ‘no they haven’t’ but the unanswered question is how damaging will an aggressive tightening be to the jobs and assets markets?

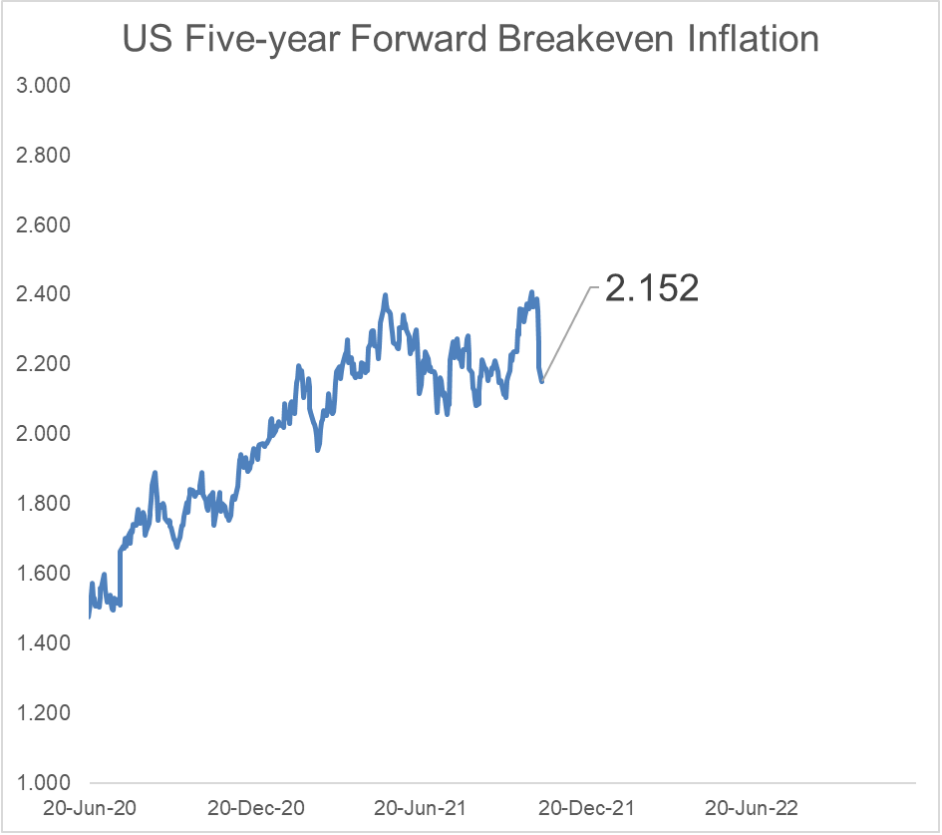
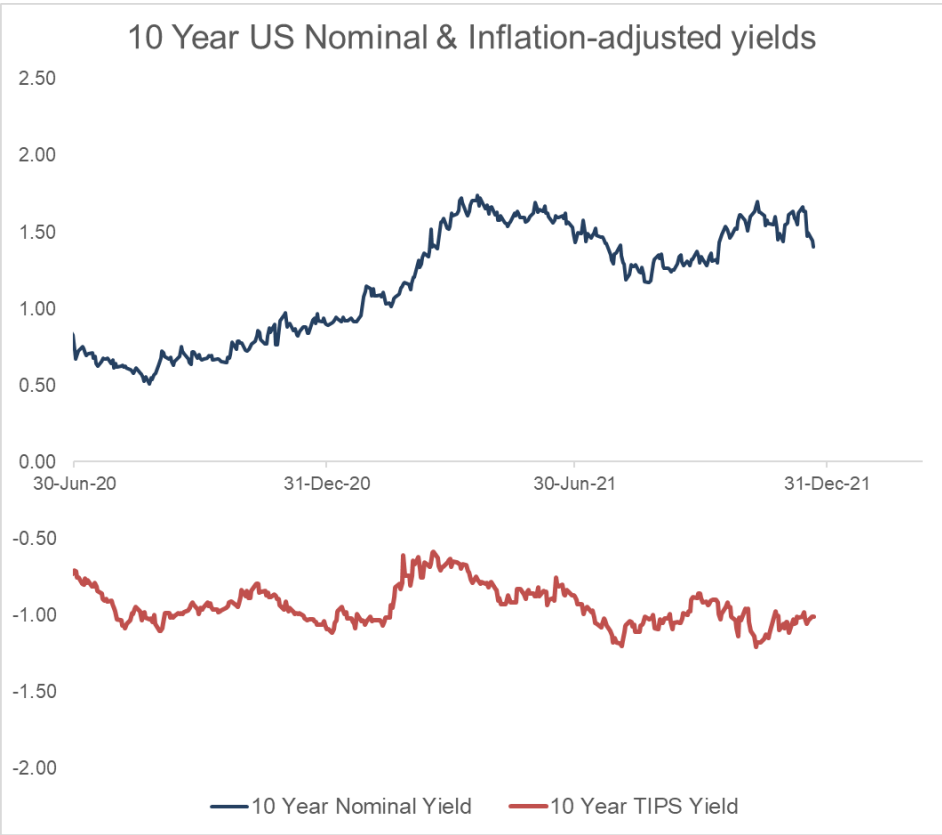
Gold may yet benefit if the next phase of monetary policy leads to a more abrupt slowdown than intended. Between the pivot in monetary policy and the rise in inflation, the one likely outcome is that we should expect, and be prepared for, higher levels of volatility in 2022.

With that, a very happy Christmas and New Year.

\*17<sup>th</sup> November 2021: Bloomberg New Economy Forum. PM Lee: “...*But if you take a long view, you really have to bet on America recovering from whatever things it does to itself.*”

# Money and yields

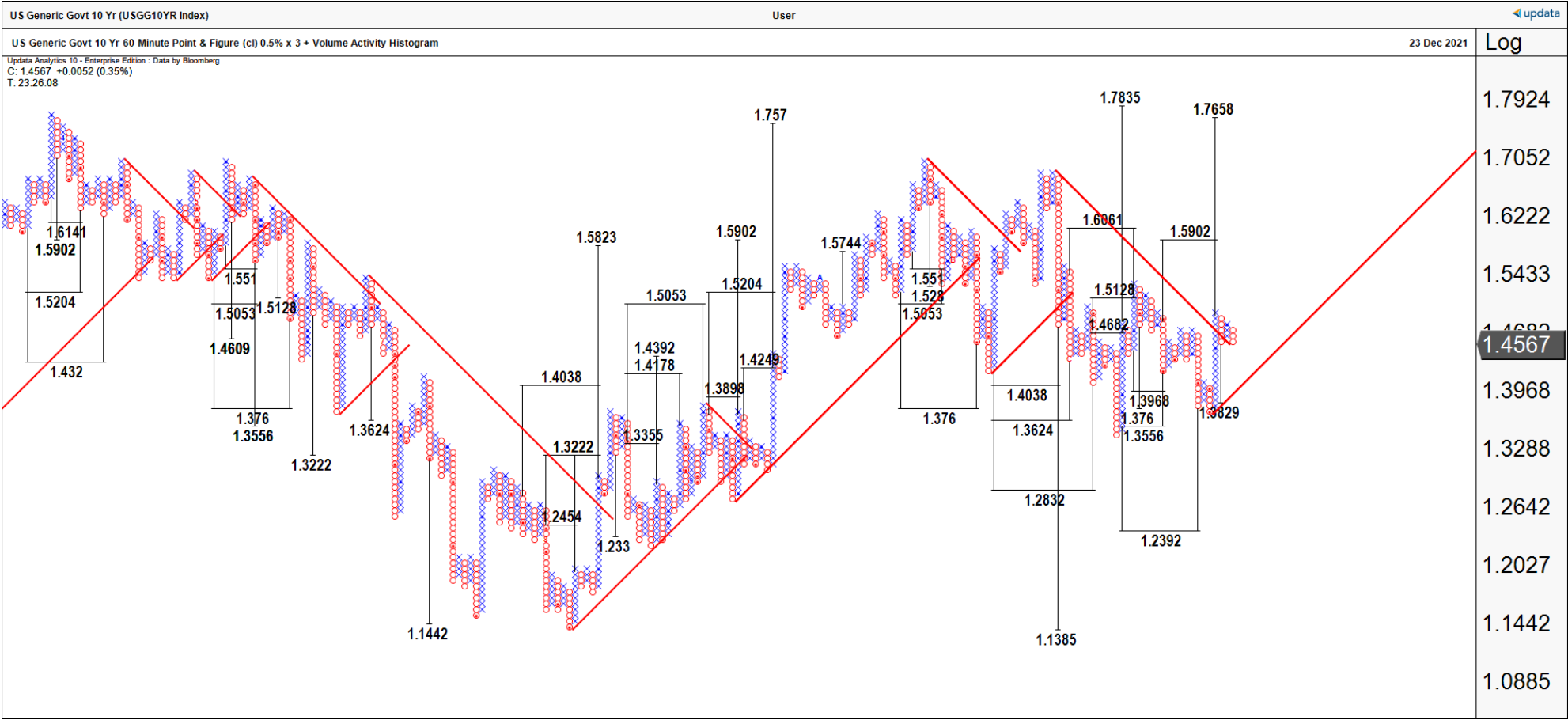
US 10 Year TIPS gradually moved higher...Five year forward breakeven rates dipping, never looking out of control.





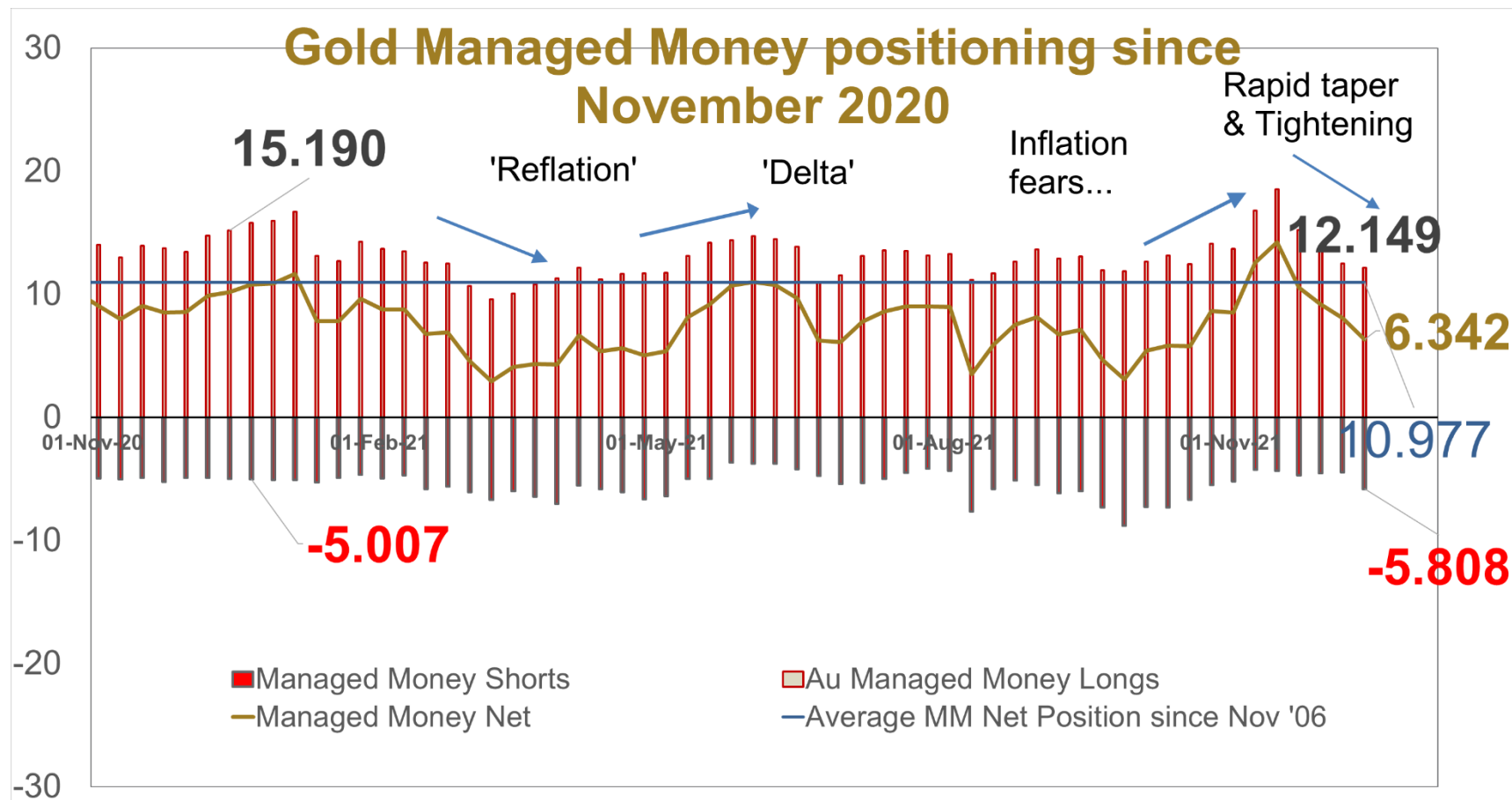
# 10-year US Yields

10-year yields: yields only moved higher for a fairly brief period before lurching lower. The price action seems partly a function of making a massive long term price target (c 1.7026%) created a year ago, and partly shifting views on taper/tightening and medium-term growth.



# Overview of Managed Money Positioning in Gold

CME Gold Managed Money futures up to December the 14<sup>th</sup>. MM longs decline as the 'taper and tightening' narrative grows in strength.



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

## Volume-weighted Average Price - GC

Published 22 December, 2021

Week ending on:	Weekly Change in Managed Money Positions (Futures only)			
	US\$ VWAP	Longs	Shorts	Net change
Tuesday, 14 December 2021	\$1,781.56	-357,500	1,374,900	-1,732,400
Tuesday, 7 December 2021	\$1,781.61	-1,240,200	-105,800	-1,134,400
Tuesday, 30 November 2021	\$1,793.17	-1,480,400	-155,000	-1,325,400
Tuesday, 23 November 2021	\$1,841.42	-3,319,500	385,100	-3,704,600
Tuesday, 16 November 2021	\$1,853.99	1,733,500	56,000	1,677,500
		-4,664,100	1,555,200	-6,219,300
Gold ETF Change in position				236,952
Total change over period				-5,982,348

## Volume-weighted Average Price - SI

Published 22 December, 2021

Week ending on:	Weekly Change in Managed Money Positions (Futures only)			
	US\$VWAP	Longs	Shorts	Net change
Tuesday, 14 December 2021	\$22.16	335,000	42,635,000	-42,300,000
Tuesday, 7 December 2021	\$22.56	-7,290,000	42,005,000	-49,295,000
Tuesday, 30 November 2021	\$23.37	-29,185,000	-17,740,000	-11,445,000
Tuesday, 23 November 2021	\$24.63	-24,585,000	2,800,000	-27,385,000
Tuesday, 16 November 2021	\$24.97	43,405,000	3,195,000	40,210,000
		-17,320,000	72,895,000	-90,215,000
Silver ETF Change in position				-4,887,889
Total change over period				-95,102,889

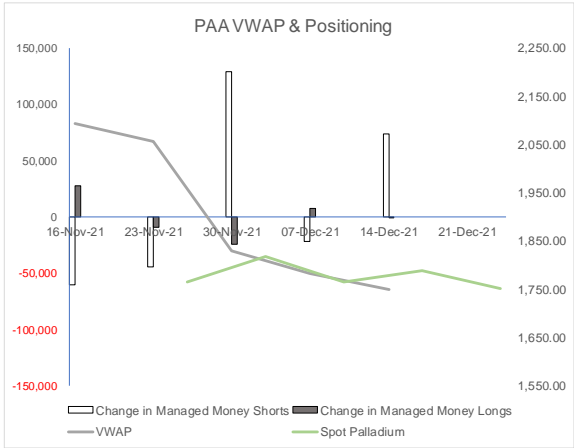
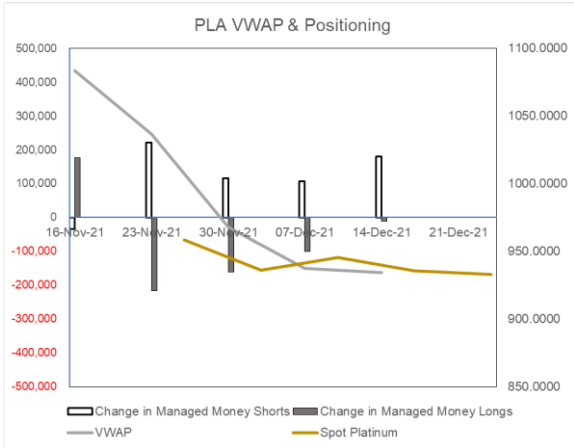
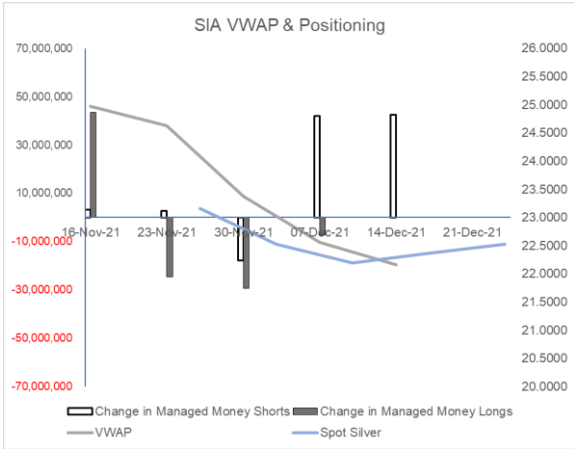
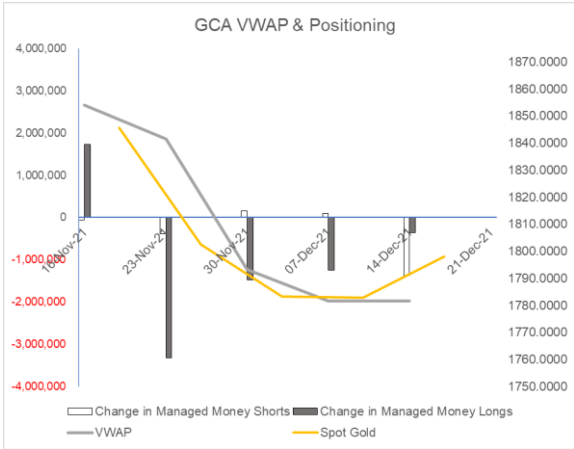
## Volume-weighted Average Price - PLA

Published 22 December, 2021

Week ending on:	Weekly Change in Managed Money Positions (Futures only)			
	US\$ VWAP	Longs	Shorts	Net change
Tuesday, 14 December 2021	\$934.23	-11,200	181,150	-192,350
Tuesday, 7 December 2021	\$937.51	-101,050	106,700	-207,750
Tuesday, 30 November 2021	\$967.64	-160,350	116,550	-276,900
Tuesday, 23 November 2021	\$1,036.80	-215,650	221,400	-437,050
Tuesday, 16 November 2021	\$1,083.68	176,750	-33,500	210,250
		-311,500	592,300	-903,800
Platinum ETF Change in position Ftozs				-37,065
Total change over period				-940,865

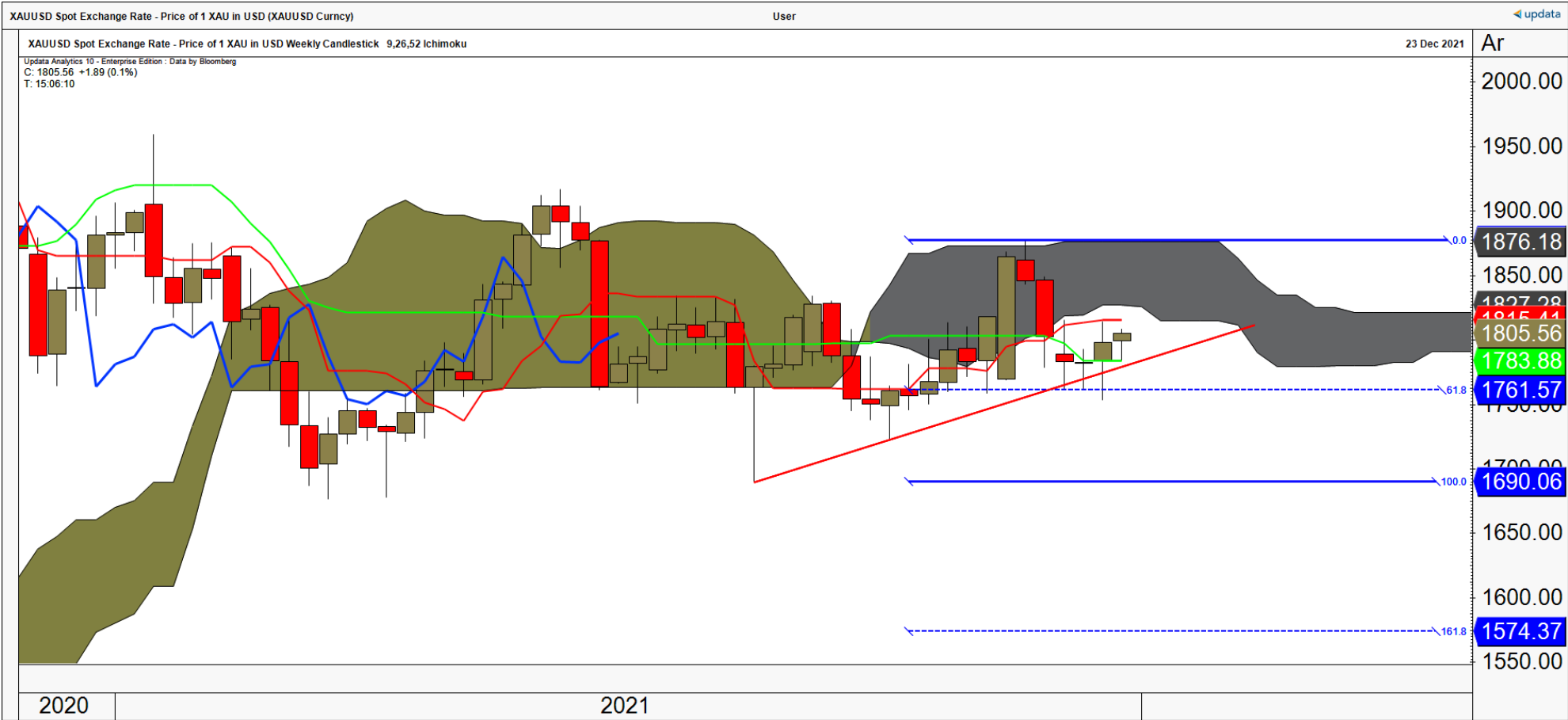
Week ending on:	Weekly Change in Managed Money Positions (Futures only)			
	US\$ VWAP	Longs	Shorts	Net change
Tuesday, 14 December 2021	\$1,749.66	-1,100	73,100	-74,200
Tuesday, 7 December 2021	\$1,782.15	7,300	-22,200	29,500
Tuesday, 30 November 2021	\$1,828.84	-24,500	128,900	-153,400
Tuesday, 23 November 2021	\$2,056.13	-9,500	-44,600	35,100
Tuesday, 16 November 2021	\$2,093.47	27,600	-60,600	88,200
		-200	74,600	-74,800
Palladium ETF Change in position Ftozs				-28,360
Total change over period				-103,160

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



# Weekly Ichimoku Cloud Chart

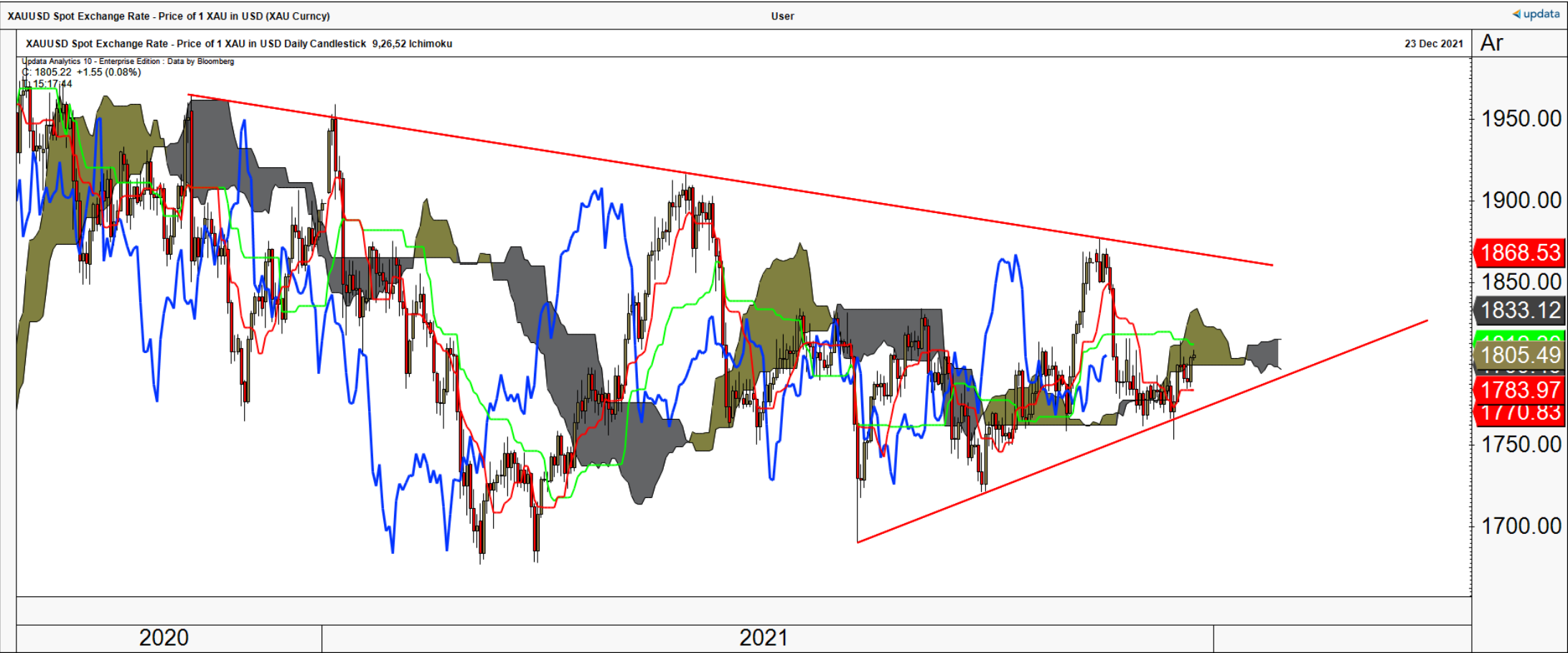
December saw two clear holds above the 61.80 Fibonacci retracement of the August-November move, and the most aggressive breach of the trendline support was slightly over 1%. The price never closed below the trend line or Fibonacci level and is now moving back towards the Weekly Cloud base, currently at US\$1,827. On the debit side, the price is below the Weekly Cloud, and that is a bearish configuration sub- US\$1,876.





# Daily Ichimoku Cloud Chart

The Daily cloud forming a barrier since early December. The cloud top falls to US\$1,822 by the year-end, a close above there (or lower if you look forward to mid-January) would flip the gold into a clearly bullish configuration.



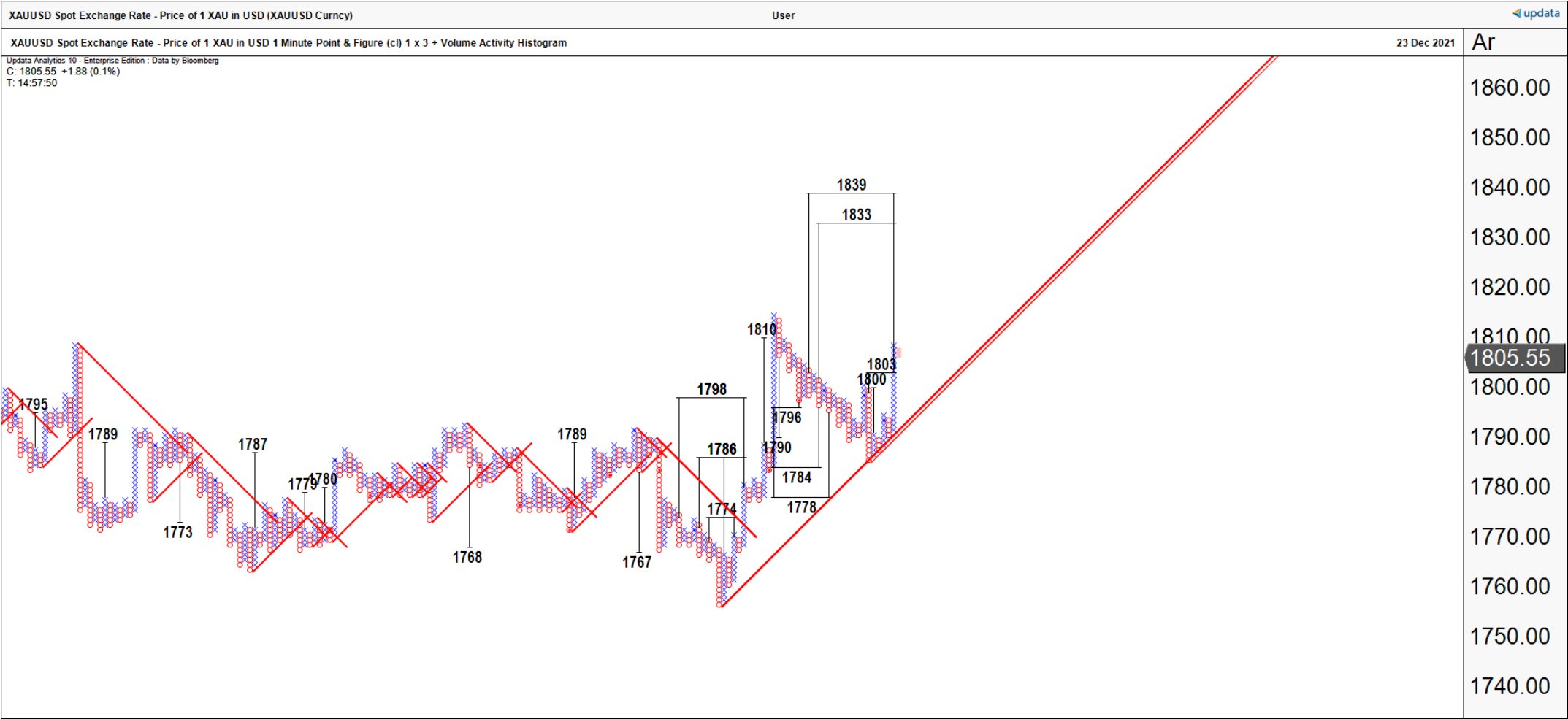
# Gold Hourly Point and Figure – Medium Term

Adjusted for the recent volatility. Overall positive trend and a decent strong upside target. The downside target is certainly not alarming, given recent history.



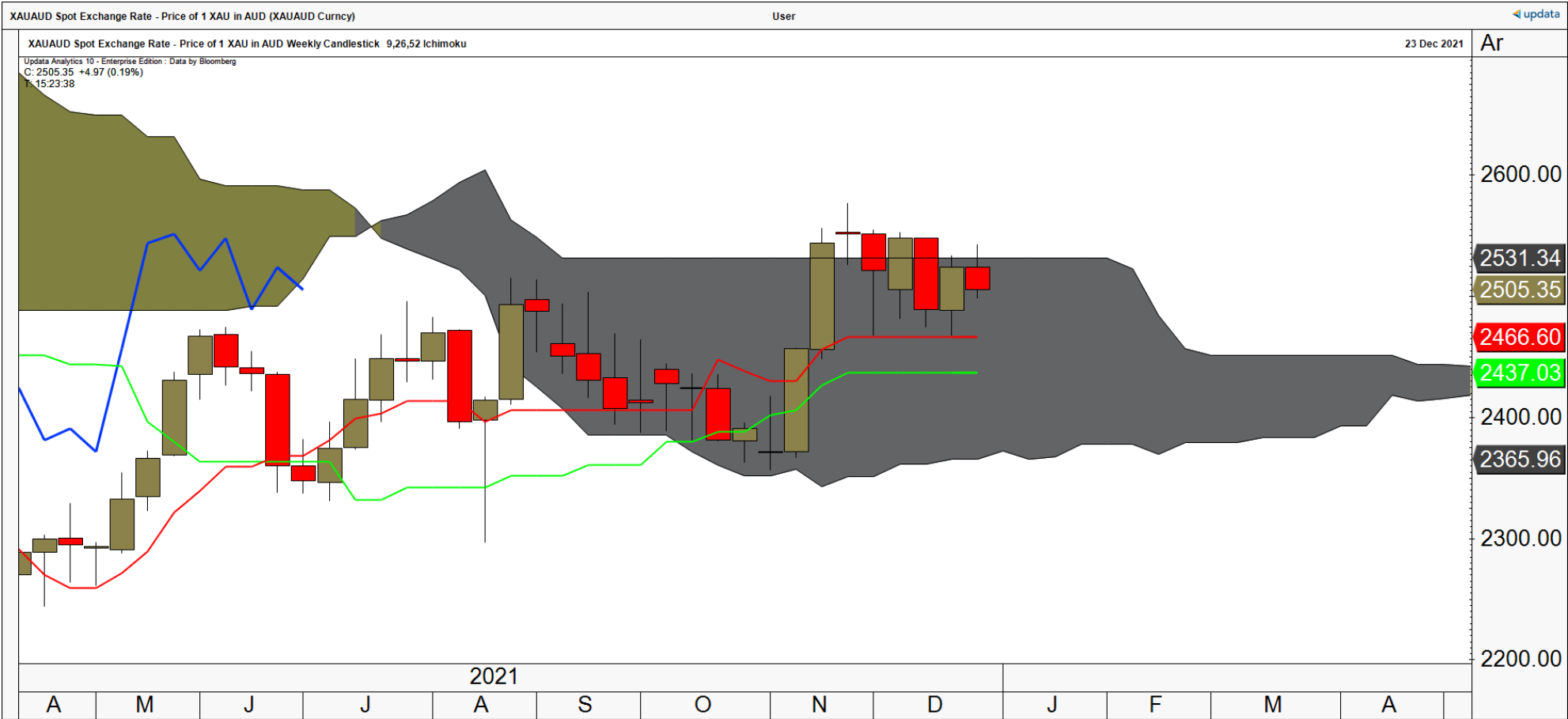
# Price Targets via Point and Figure – Short Term

December price action is beginning to resolve into an uptrend after some really rangey action for the previous 3 weeks. Targets extend into, but not beyond, the Weekly Cloud resistance overhead.



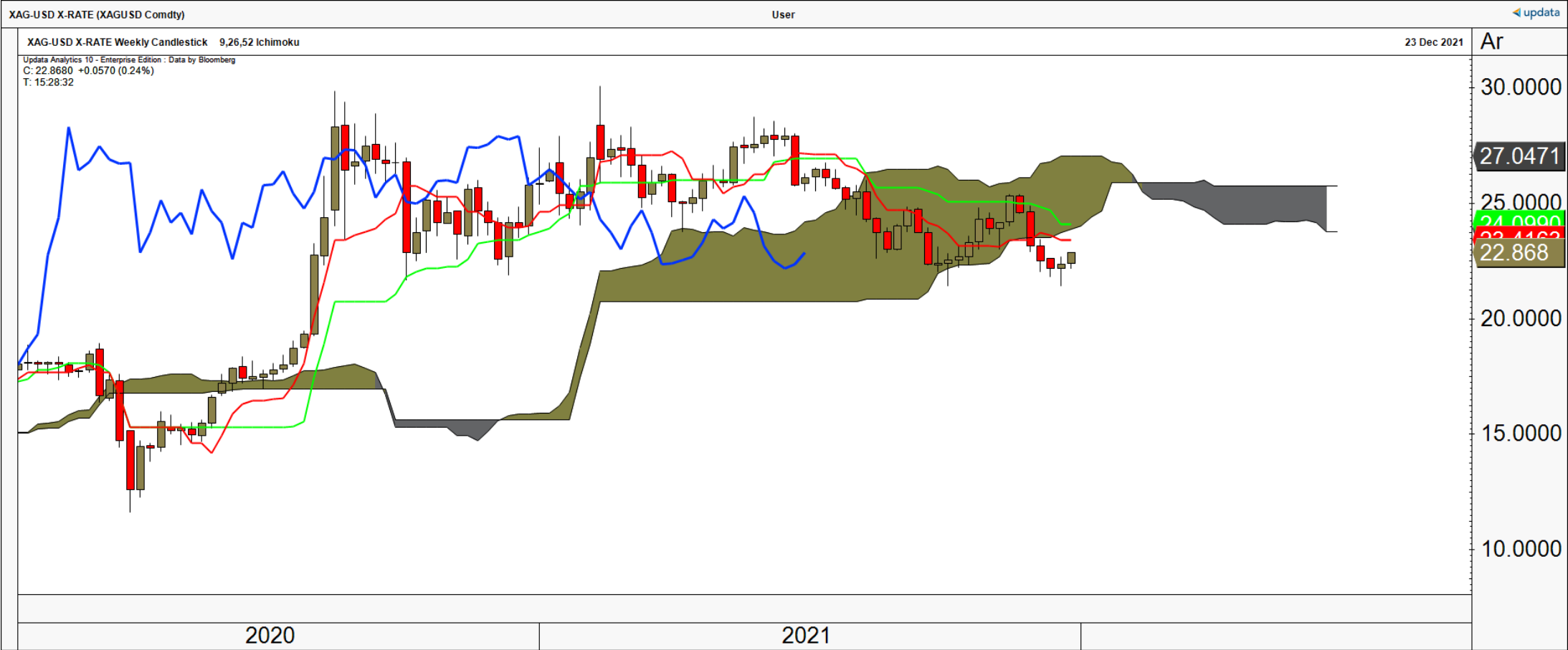
# Gold in AUD via Weekly Ichimoku Cloud

Aussie gold has found consistent support above the Weekly Turning Line at A\$2,466. Below that, look for support at AU\$2,437.



# Silver in USD (Weekly)

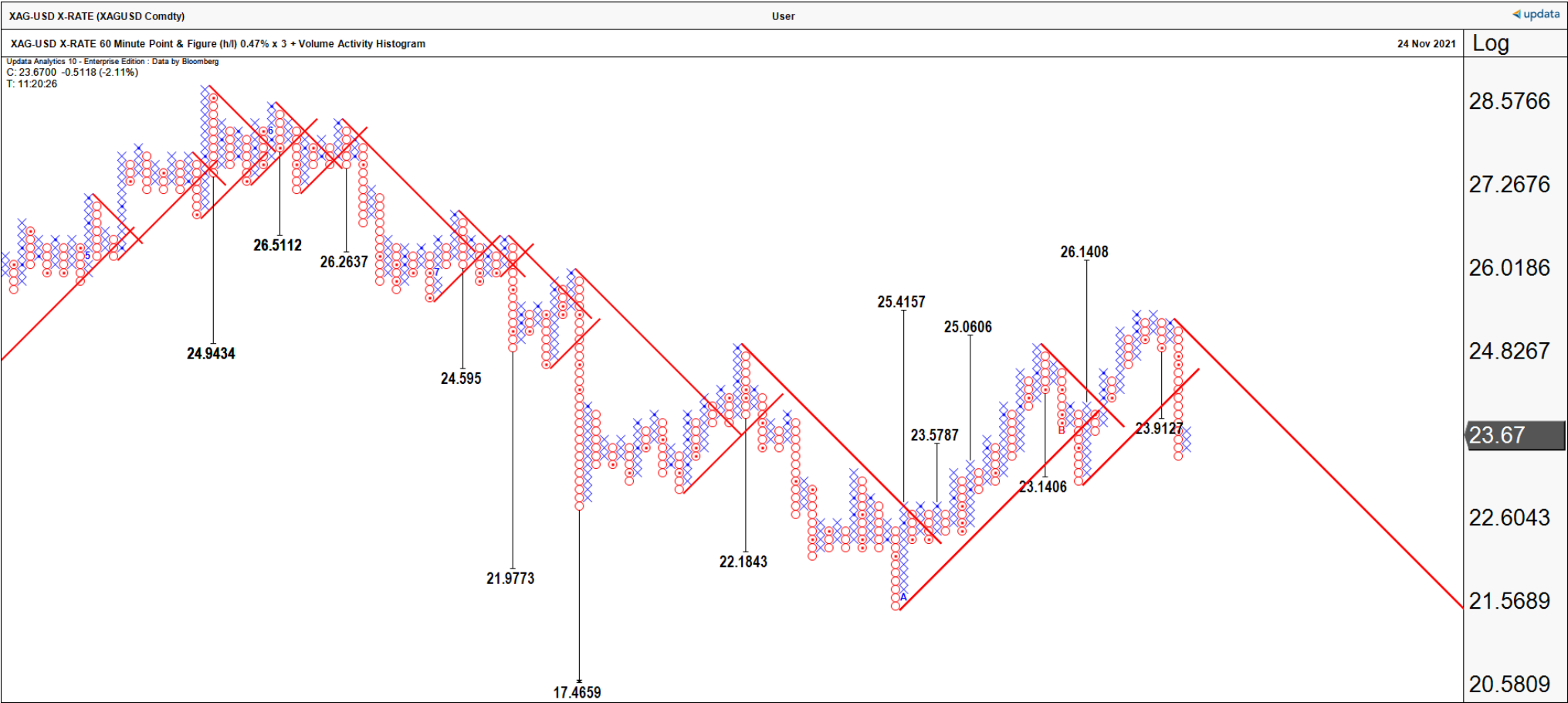
The macro view of silver. Worryingly for silver bulls silver dropped below the Weekly cloud base at the end of November. Resistance at US\$23.41 and US\$24.10.



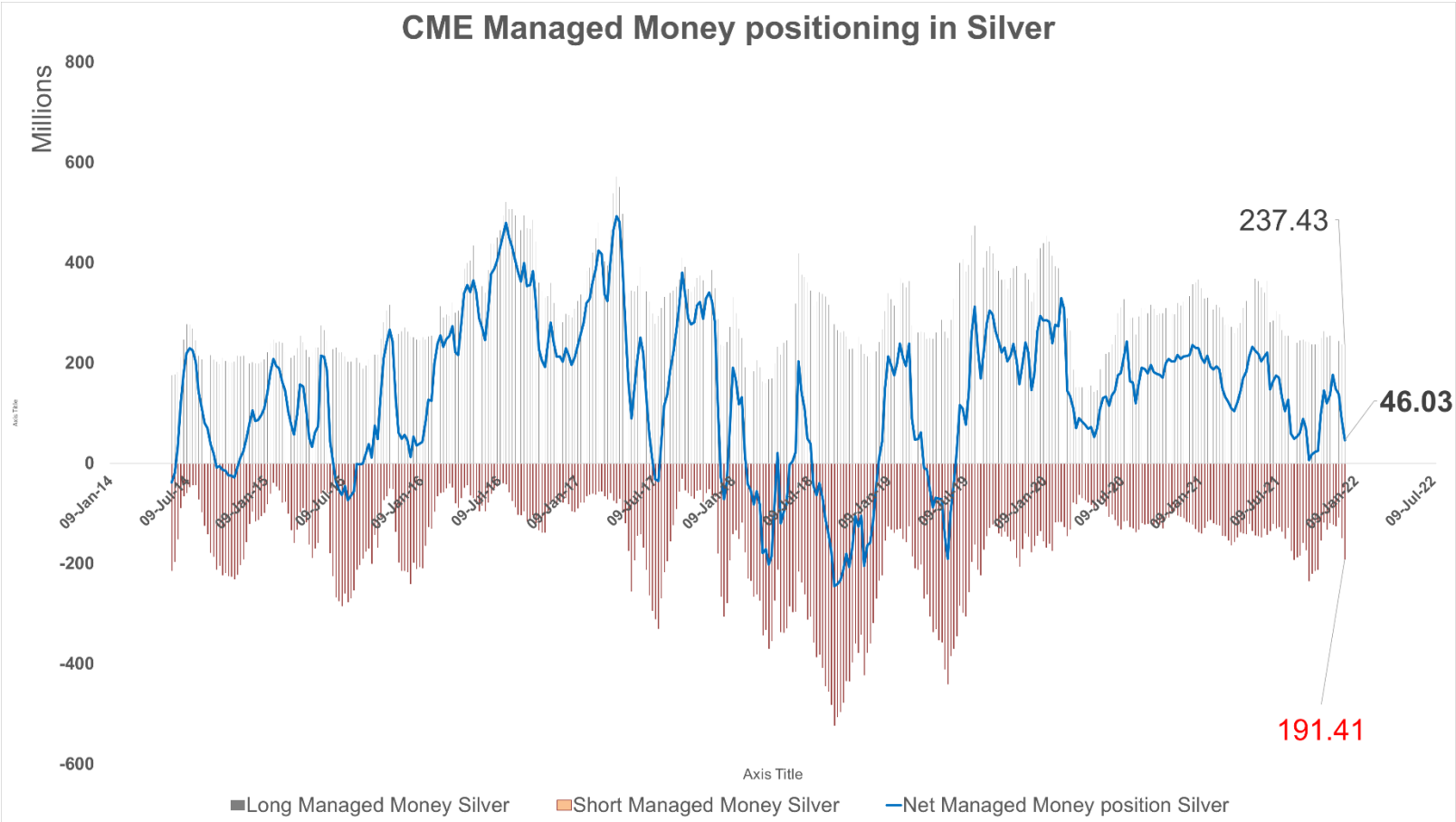


# Silver in USD – Hourly Point and Figure

Targets for the XAGUUSD medium term. Silver made it to US\$25.39 before rolling over. Negative trend, but likely to retest the congestion area around US\$24.70-25.00.

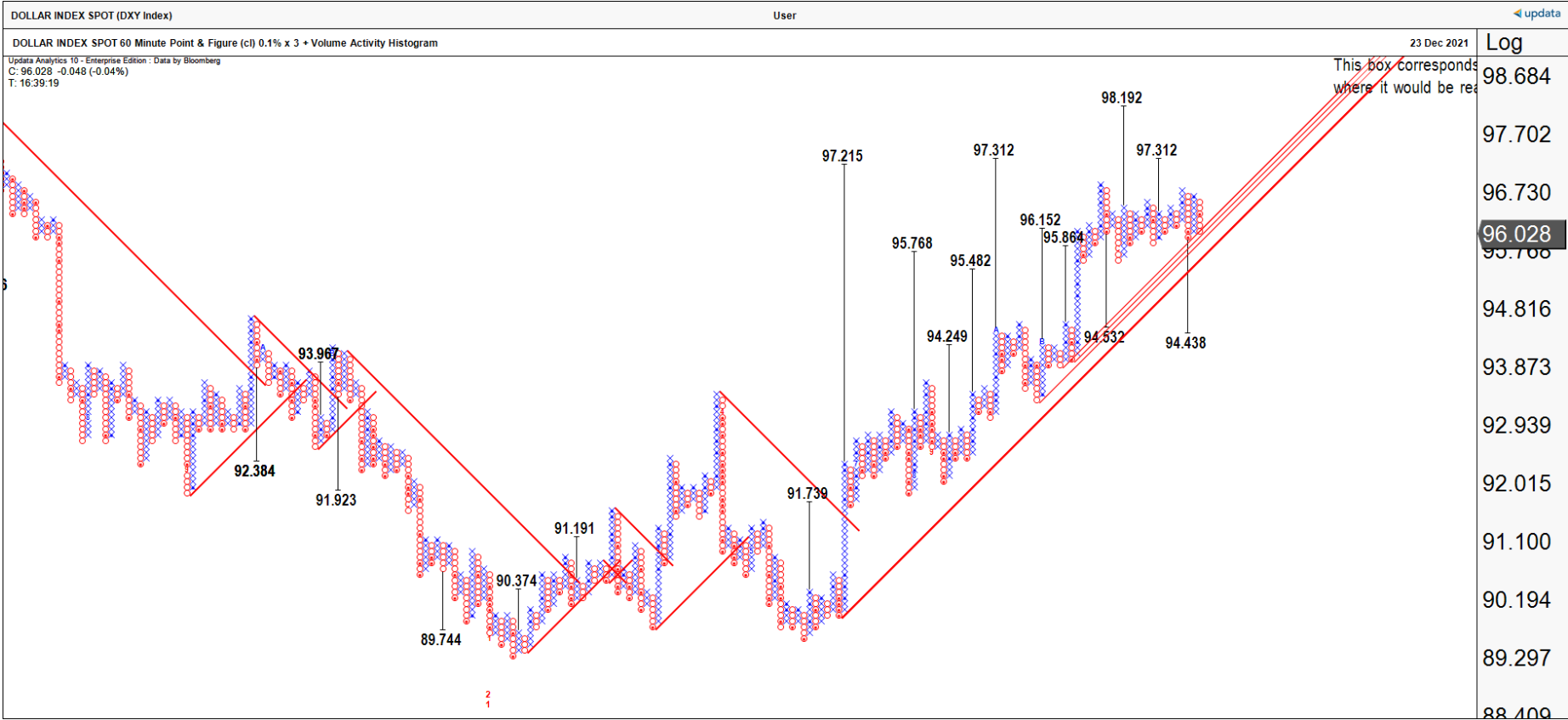


# Overview of Managed Money Positioning in Silver (Futures only)



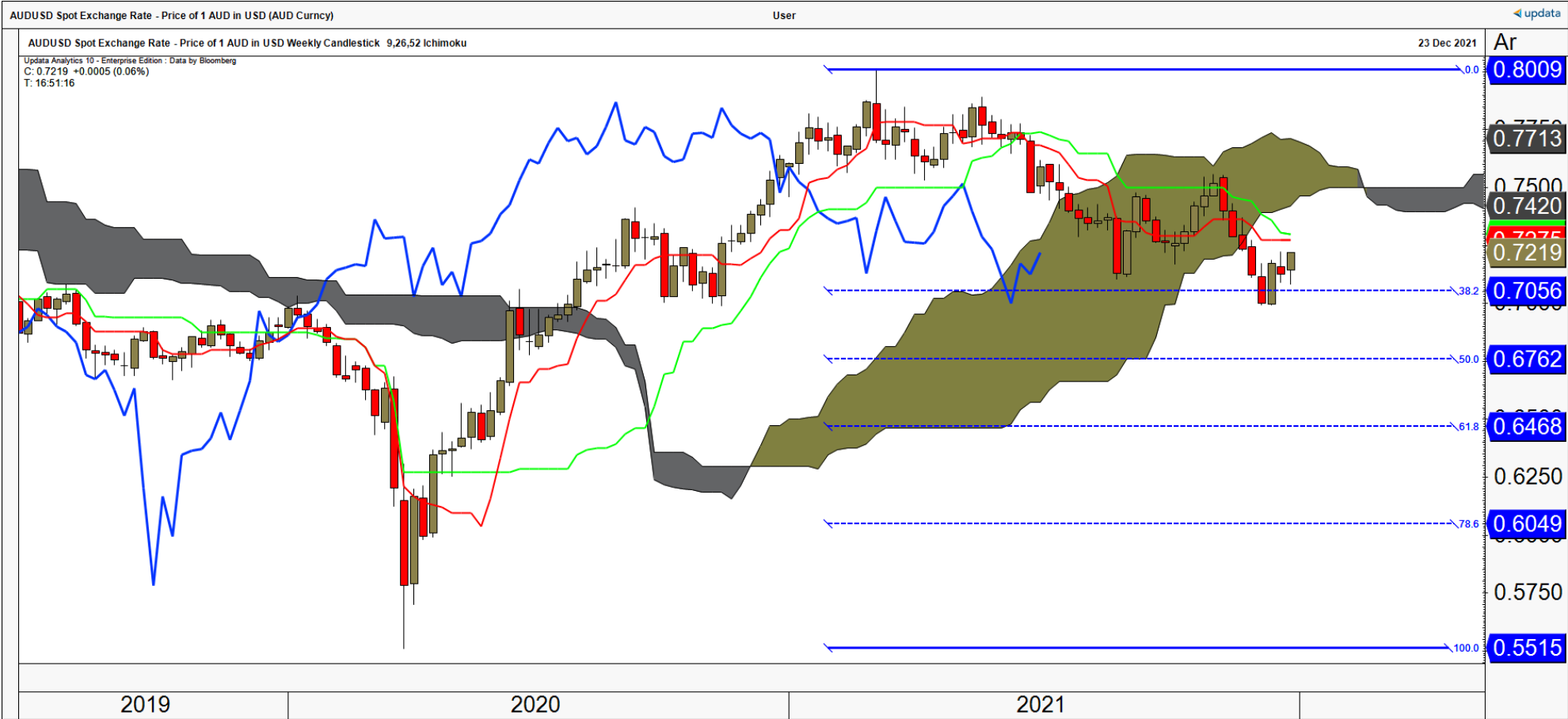
# The Dollar – DXY

Hourly Point and Figure. The DXY rally continues, and pushed past the Weekly Cloud top. Targets to 97.20-97.31, and 98.19. Downside targets to a consolidation area in November, but for now the DXY remains in the upward trend.



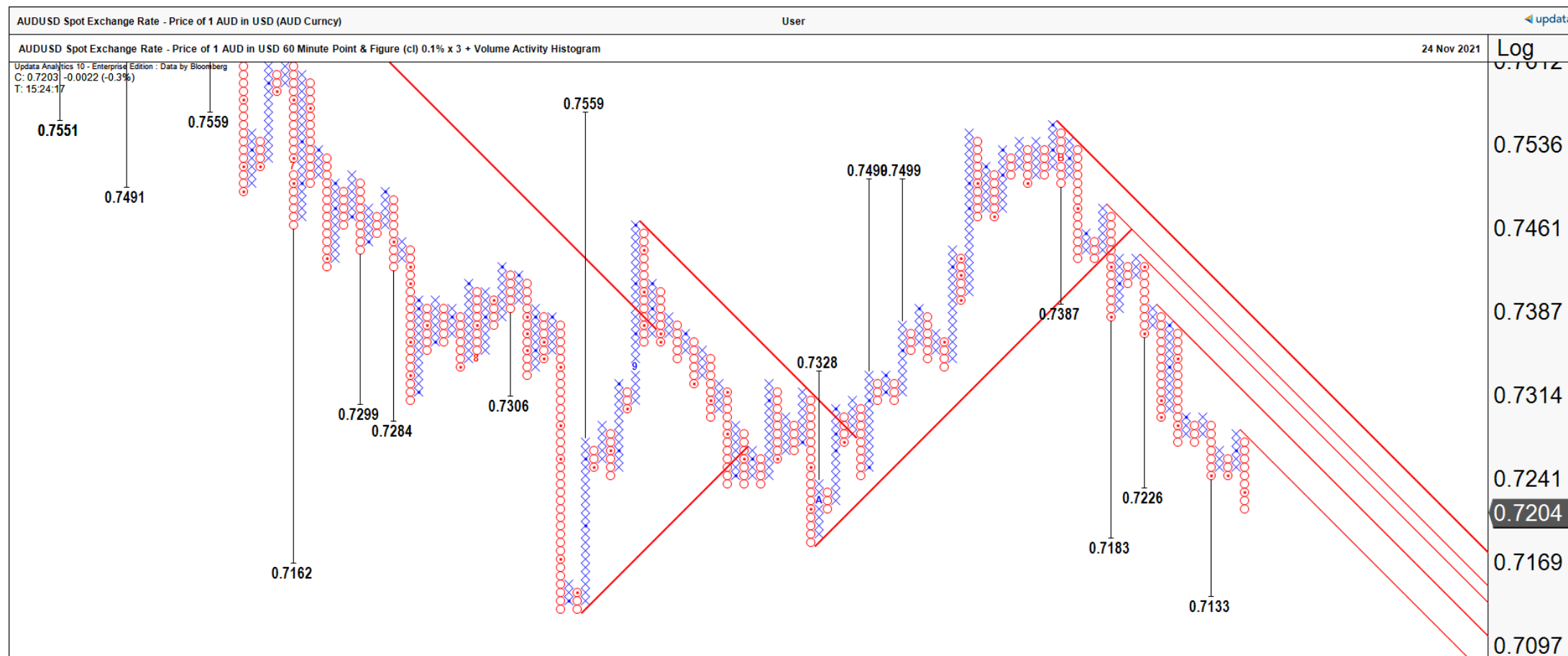
# AUD Weekly Ichimoku Cloud

The AUD found support just below the 38.20% Fibonacci retracement of the 2020-2021 move up, but not before printing a 0.69 handle. Expect resistance at 0.728. Net positioning in the AUD as tracked by via the ADA futures contract is still significantly negative, although not the extreme lows seen in October, with recent shorts expanding their positions and longs fading somewhat.



# The AUD Hourly Point and Figure

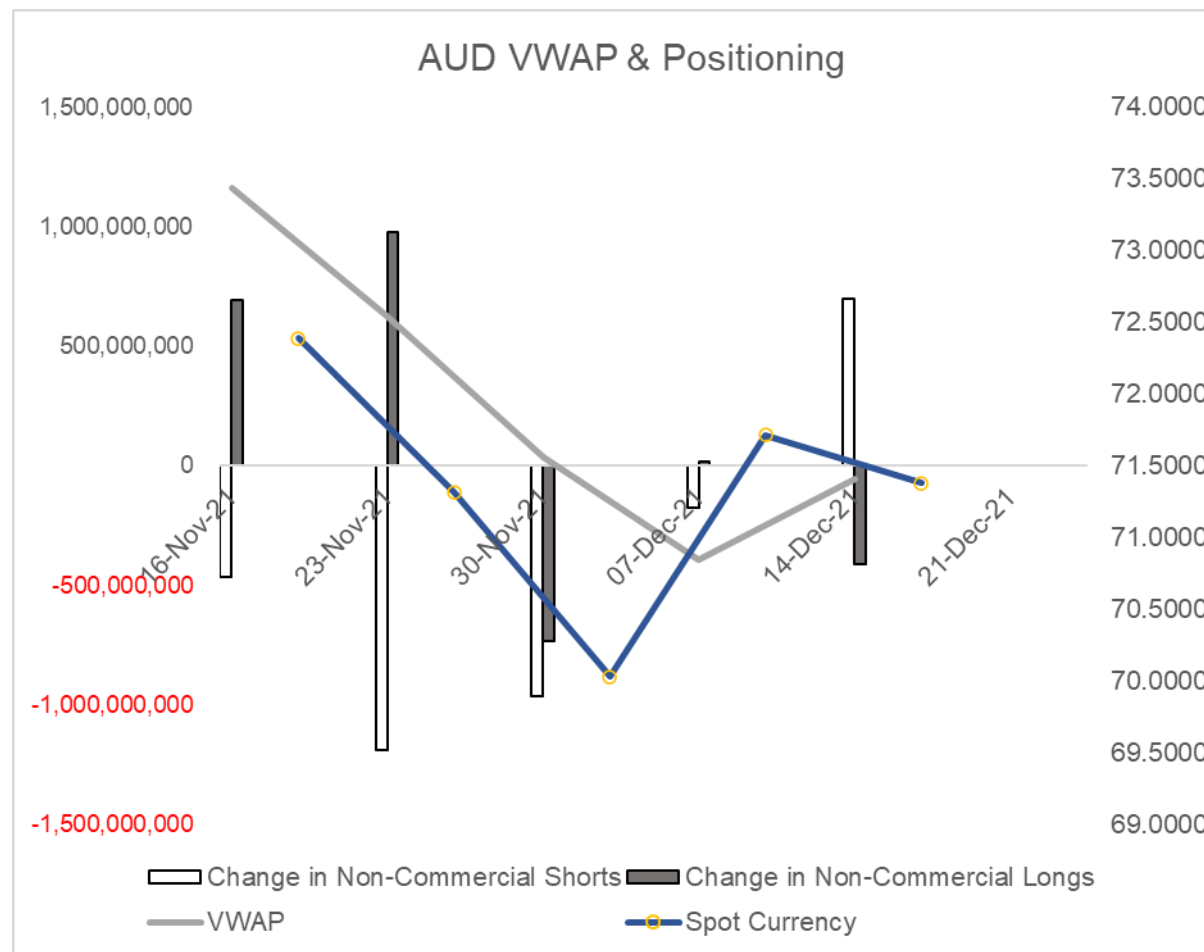
The AUD made a high at 0.7555 before rolling over. Looking for weakness to extend to 0.7180 and 0.7130. Recent CFTC data shows both non-commercial longs and shorts extending their positioning, with both arriving at a VWAP of 74.2253 and 73.4383 in the weeks ending 9<sup>th</sup> and 16<sup>th</sup> November respectively.





# AUD Positioning and VWAP

Longer term AUD shorts do not seem to be under too much pressure – recent ones seem to have reversed in the recent rallies.



# Where to From Here?

Gold is still technically 'negative' as the price remains below the Weekly Cloud.

Nearby resistance at US\$1,815-25.

Support at US\$1,783 and US\$1,761.

The recent pivot to a faster taper and a round of tightening priced in by the Fed creates a general headwind for gold that is partially offset by renewed concerns over Russian threats to Ukraine.

Longer-term, concerns over weaker Chinese demand and risk in the property and shadow-banking sector may support a more risk off approach that leaves a bid under the gold price.

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 box size (Delta basis 1 Yr Exp.)	12%
US\$2,172	2% Daily Point and Figure. (Delta basis 1 Yr Exp.)	19%
US\$1,941	Basis hourly chart above (0.50 % box size) 3 mo. Exp.	19%

## Targets (Downside)

US\$1,580	Daily US\$20 Point and Figure (Delta basis 1 Yr. Exp.)	18%
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Nearby target probabilities basis spot US\$1,805 for 3 months and created by solving for option delta on the Bloomberg option pricer.

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