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BULLION

ABC Bullion Monthly Precious Metals Technical Analysis Report

January 2022

Gold – In Brief

Gold closed 2021 a little higher, with a two-phase rally distinguished by short covering in the period from mid-December through to early January, with new longs arriving in late December. The first half of January witnessed long liquidation as CME Managed Money longs declined.

The moves in the first half of January took place against a background of raised expectations for a March lift-off in US rates, and expectations of a sequence of higher rates through 2022 and 2023. Heightened geopolitical tensions may also have helped provide a bid for gold.

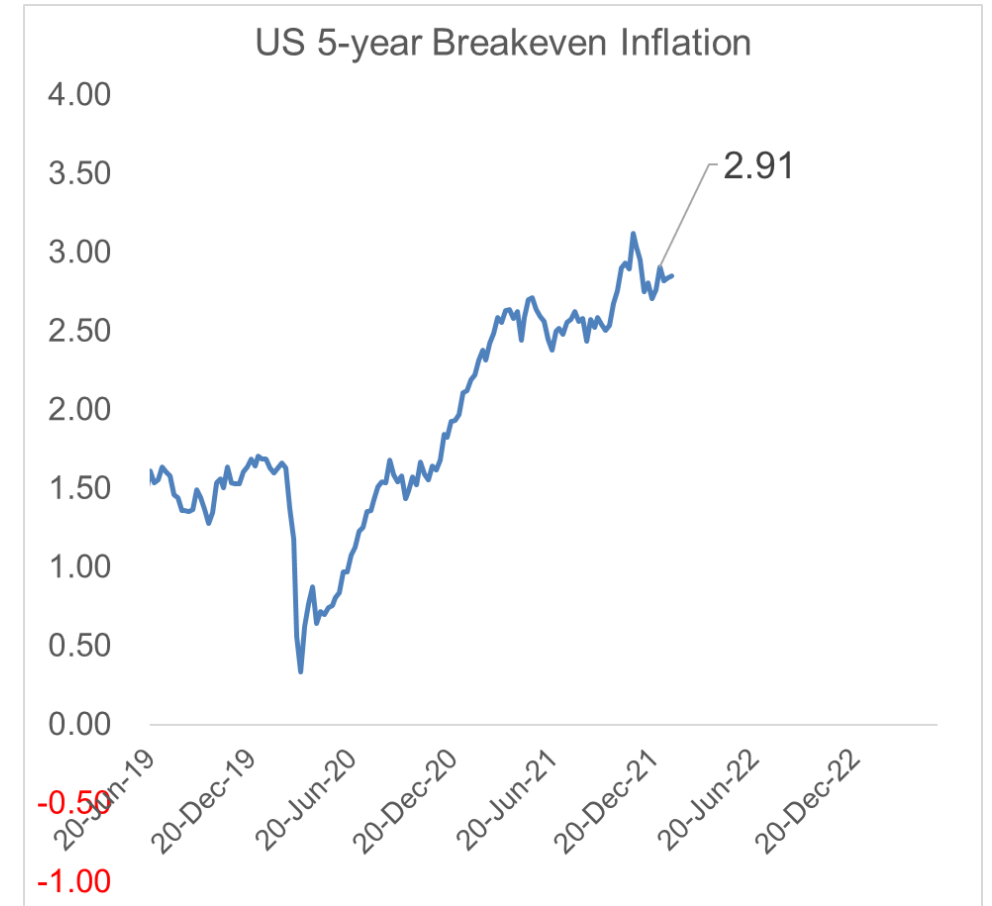
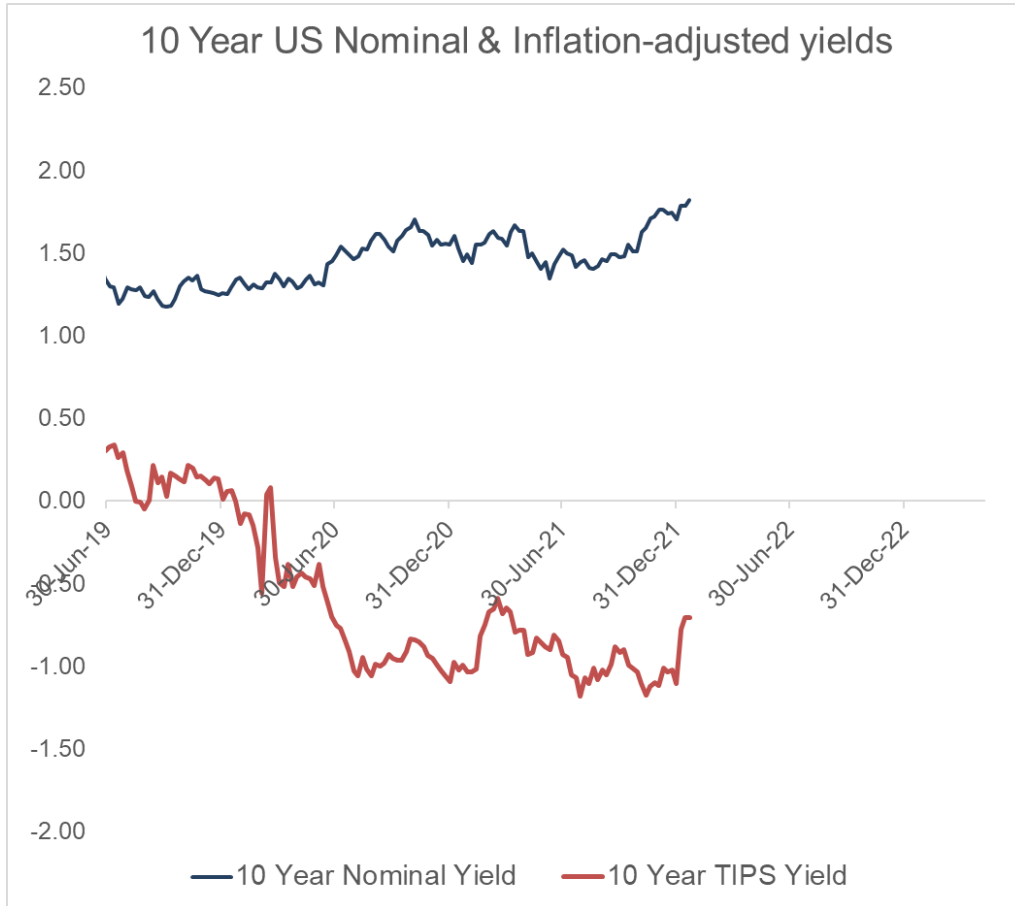
Notably, the rally in gold took place despite 10-year inflation-linked yields rallying to -0.71% on the 10th of January. This is the highest level since February-March of 2021, back when TIPS yields touched -0.54 % and the gold price went sub-US\$1,700. At current yields, (Jan 14th) basic regression points to a gold price of US\$1,775, which is a rough guide, but a useful heuristic. It prompts the question – what drives the added richness in price? Geopolitics may play an (unmeasurable) part, and the second element may be that expected tightening will give risk-on assets a rough ride in 2022 compared with last year, and that gold will be relatively well-placed defensively.

Additionally, although I expect the USD to rise broadly within a rising channel in the coming year, Jim Reid at Deutsche Bank points out that the period prior to a US tightening shows a rally in the USD but very often weakens in the 6-month period following the first hike. The Dollar has weakened in the last week. There has been some money flow out of US assets, and the market news concerning the likely path of Fed Funds may have led to the conclusion that there isn't much upside remaining in the near term, however by the middle of the week ending the 14th, the Dollar Index was starting to look oversold and has staged a small recovery.

Technically, the gold price has recovered to trade above the Daily Cloud (that's bullish in the short to medium term) but so far can't break very far into the Weekly Cloud, which means longer term bearishness if the price remains below the Cloud top, currently at US\$1,876. That barrier will decline over the next few weeks US\$1,835 by early February however, which means gold has less of a barrier to push through to start looking bullish again.

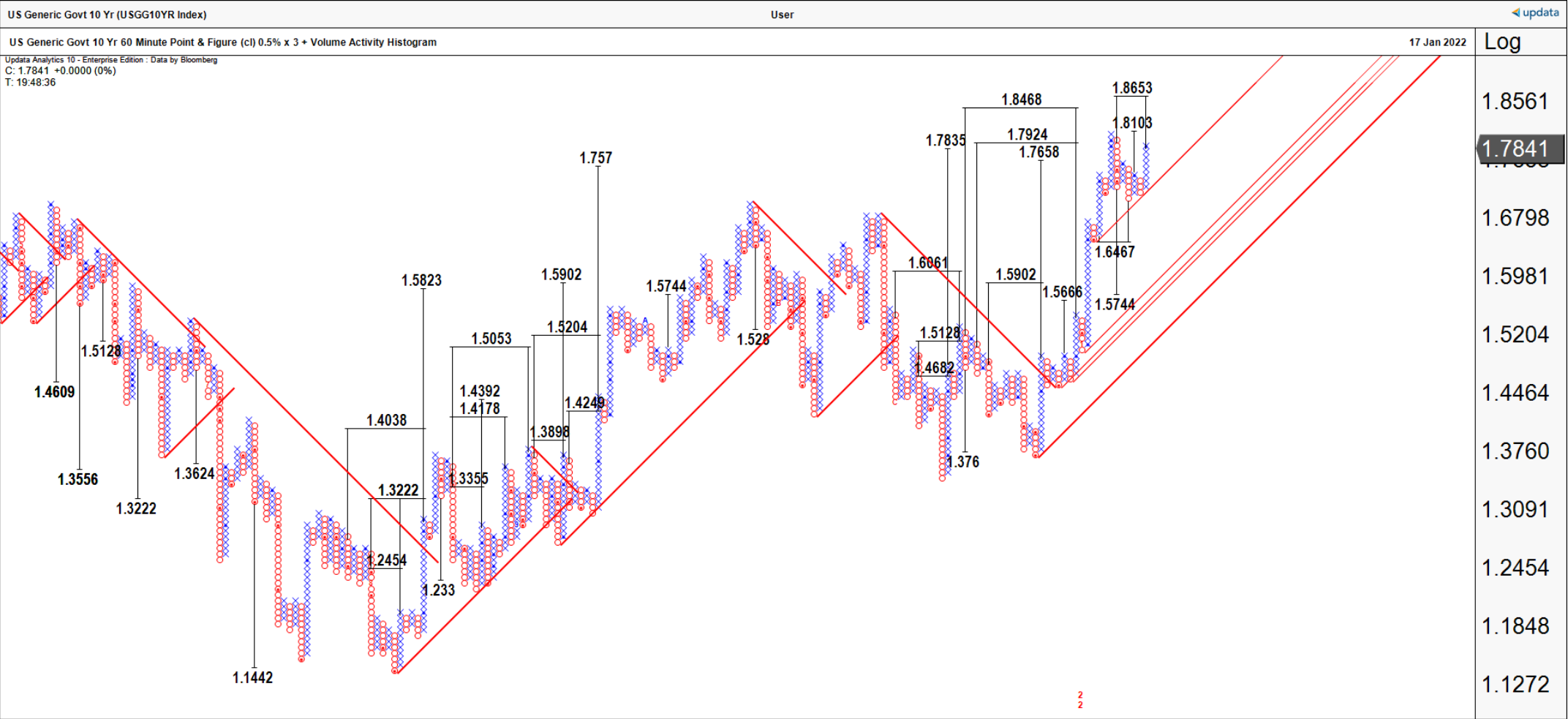
Money and yields

US 10 Year TIPS moved sharply higher, normally implying lower gold. 5 year Breakevens slightly lower, suggesting that the market feels that the Fed will be able to manage inflationary pressures and/or supply-chain driven inflation will abate over time.



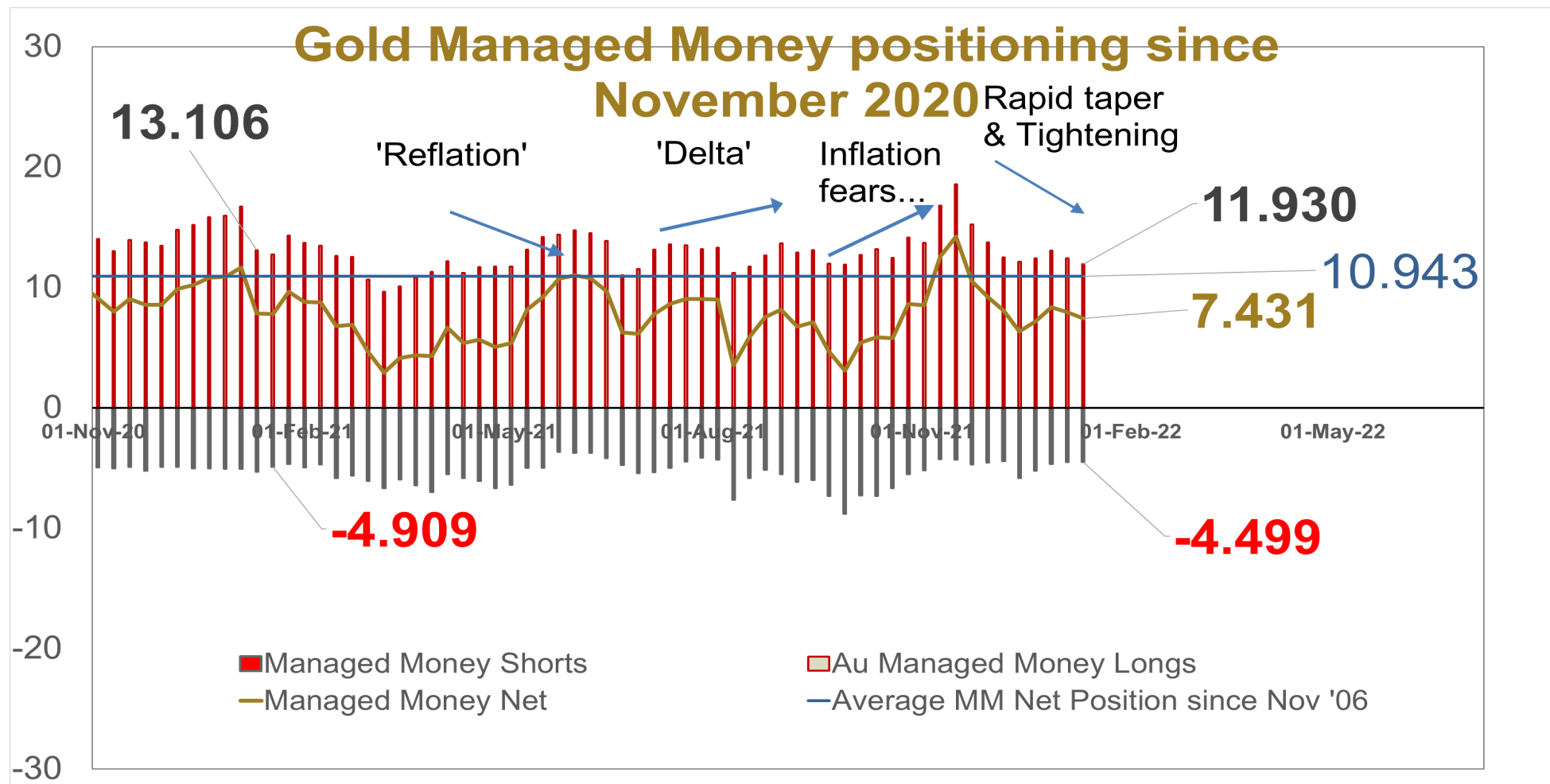
10-year US Yields

10-year yields: volatility in yields is expected to be the 'new normal'. The rising confidence in earlier tightening, three-four rises in 2022, and QT in the second half of this year have driven yields back to March 2021 highs.



Overview of Managed Money Positioning in Gold

CME Gold Managed Money futures up to January the 11th. MM longs continue their decline in the face of March 'lift-off' expectations from the Fed.



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

Volume-weighted Average Price - GC

Published 17 January, 2022

| | Weekly Change in Managed Money Positions (Futures only) | | | |
|-----------------------------|--|----------|-----------|------------|
| Week ending on: | US\$ VWAP | Longs | Shorts | Net change |
| Tuesday, 11 January 2022 | \$1,803.02 | -495,500 | 24,300 | -519,800 |
| Tuesday, 4 January 2022 | \$1,809.69 | -613,700 | -198,200 | -415,500 |
| Tuesday, 28 December 2021 | \$1,802.56 | 626,900 | -564,600 | 1,191,500 |
| Tuesday, 21 December 2021 | \$1,787.98 | 262,800 | -570,300 | 833,100 |
| Tuesday, 14 December 2021 | \$1,781.58 | -357,500 | 1,374,900 | -1,732,400 |
| | | -577,000 | 66,100 | -643,100 |
| Gold ETF Change in position | | | | -274,295 |
| Ftozs | | | | |
| Total change over period | | | | -917,395 |

Volume-weighted Average Price - SI

Published 17 January, 2022

| | Weekly Change in Managed Money Positions (Futures only) | | | |
|-------------------------------|--|------------|-------------|-------------|
| Week ending on: | US\$VWAP | Longs | Shorts | Net change |
| Tuesday, 11 January 2022 | \$22.54 | -6,395,000 | 13,480,000 | -19,875,000 |
| Tuesday, 4 January 2022 | \$23.01 | 5,705,000 | -15,950,000 | 21,655,000 |
| Tuesday, 28 December 2021 | \$22.85 | 10,275,000 | -23,665,000 | 33,940,000 |
| Tuesday, 21 December 2021 | \$22.18 | 4,565,000 | -2,700,000 | 7,265,000 |
| Tuesday, 14 December 2021 | \$22.16 | 335,000 | 42,635,000 | -42,300,000 |
| | | 14,485,000 | 13,800,000 | 685,000 |
| Silver ETF Change in position | | | | -19,181,857 |
| Total change over period | | | | -18,496,857 |

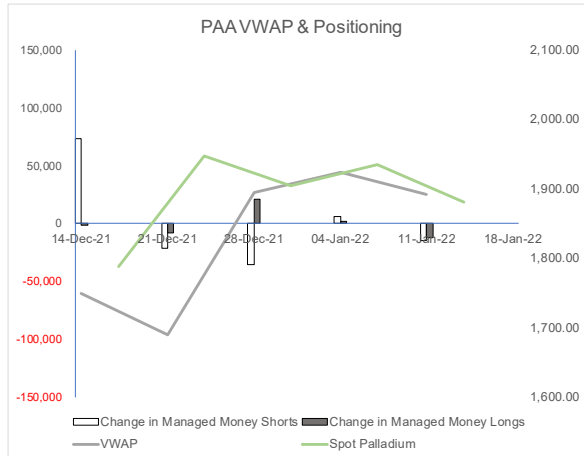
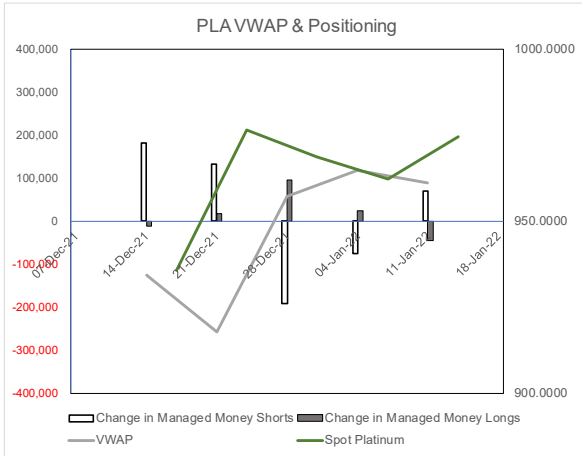
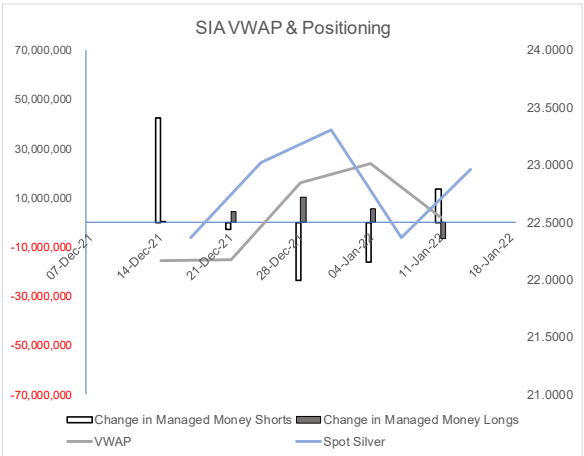
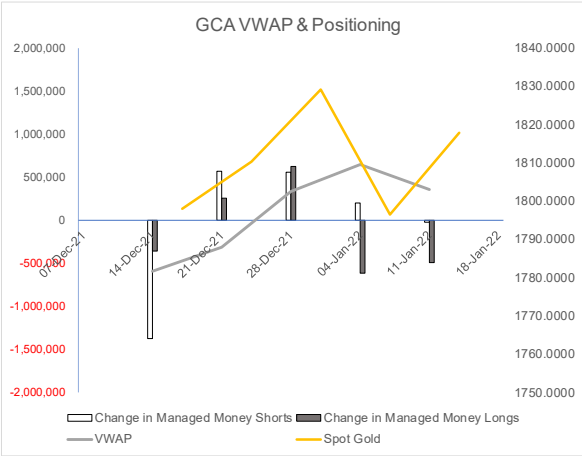
Volume-weighted Average Price - PLA

Published 17 January, 2022

| | Weekly Change in Managed Money Positions (Futures only) | | | |
|---------------------------------------|--|---------|----------|------------|
| Week ending on: | US\$ VWAP | Longs | Shorts | Net change |
| Tuesday, 11 January 2022 | \$961.21 | -46,350 | 69,700 | -116,050 |
| Tuesday, 4 January 2022 | \$964.79 | 22,950 | -74,550 | 97,500 |
| Tuesday, 28 December 2021 | \$957.08 | 95,700 | -192,150 | 287,850 |
| Tuesday, 21 December 2021 | \$917.71 | 16,400 | 131,750 | -115,350 |
| Tuesday, 14 December 2021 | \$934.23 | -11,200 | 181,150 | -192,350 |
| | | 77,500 | 115,900 | -38,400 |
| Platinum ETF Change in position Ftozs | | | | -114,239 |
| Total change over period | | | | -152,639 |

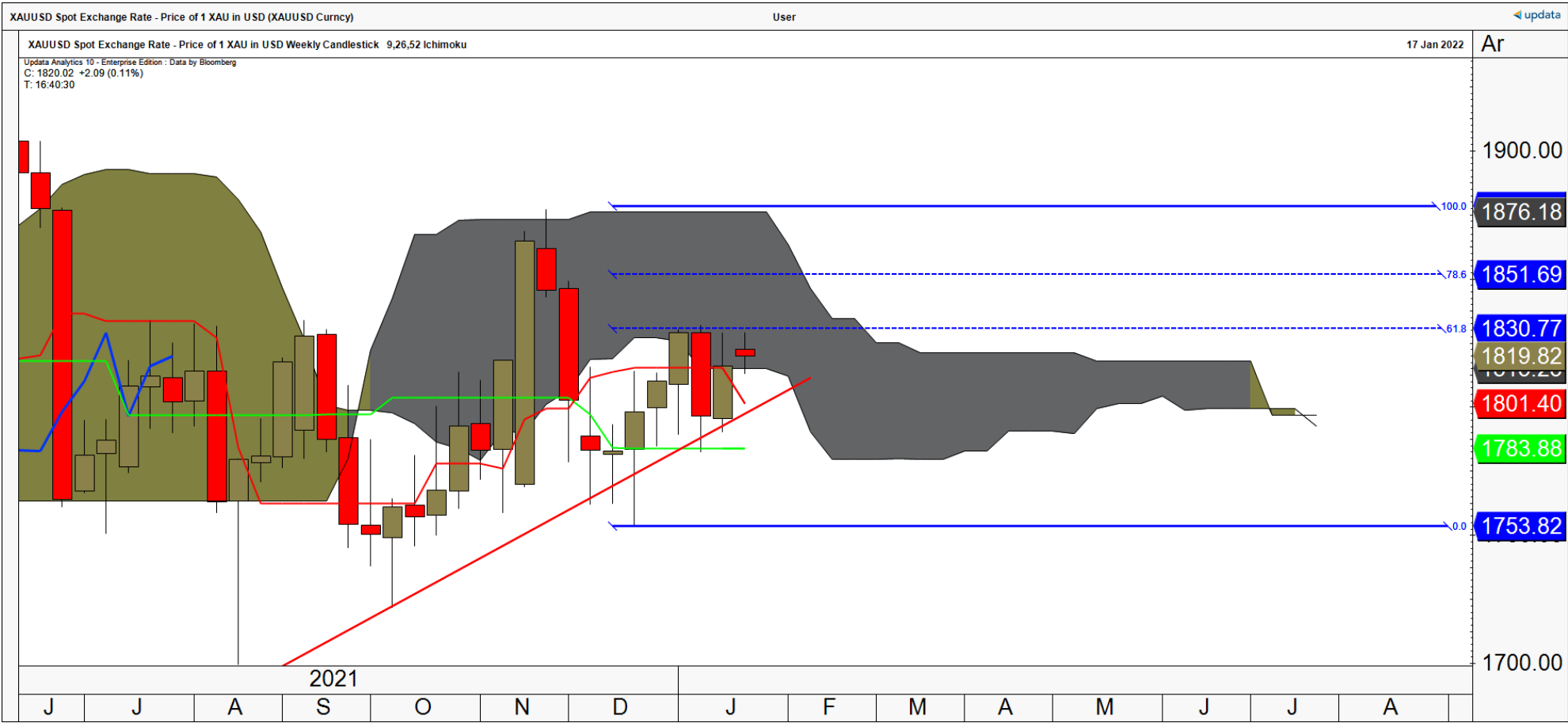
| | Weekly Change in Managed Money Positions (Futures only) | | | |
|--|--|---------|---------|------------|
| Week ending on: | US\$ VWAP | Longs | Shorts | Net change |
| Tuesday, 11 January 2022 | \$1,892.08 | -12,200 | -15,100 | 2,900 |
| Tuesday, 4 January 2022 | \$1,924.41 | 2,000 | 6,000 | -4,000 |
| Tuesday, 28 December 2021 | \$1,895.11 | 20,800 | -35,200 | 56,000 |
| Tuesday, 21 December 2021 | \$1,689.10 | -8,100 | -21,300 | 13,200 |
| Tuesday, 14 December 2021 | \$1,749.43 | -1,100 | 73,100 | -74,200 |
| | | 1,400 | 7,500 | -6,100 |
| Palladium ETF Change in position Ftozs | | | | -21,450 |
| Total change over period | | | | -27,550 |

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



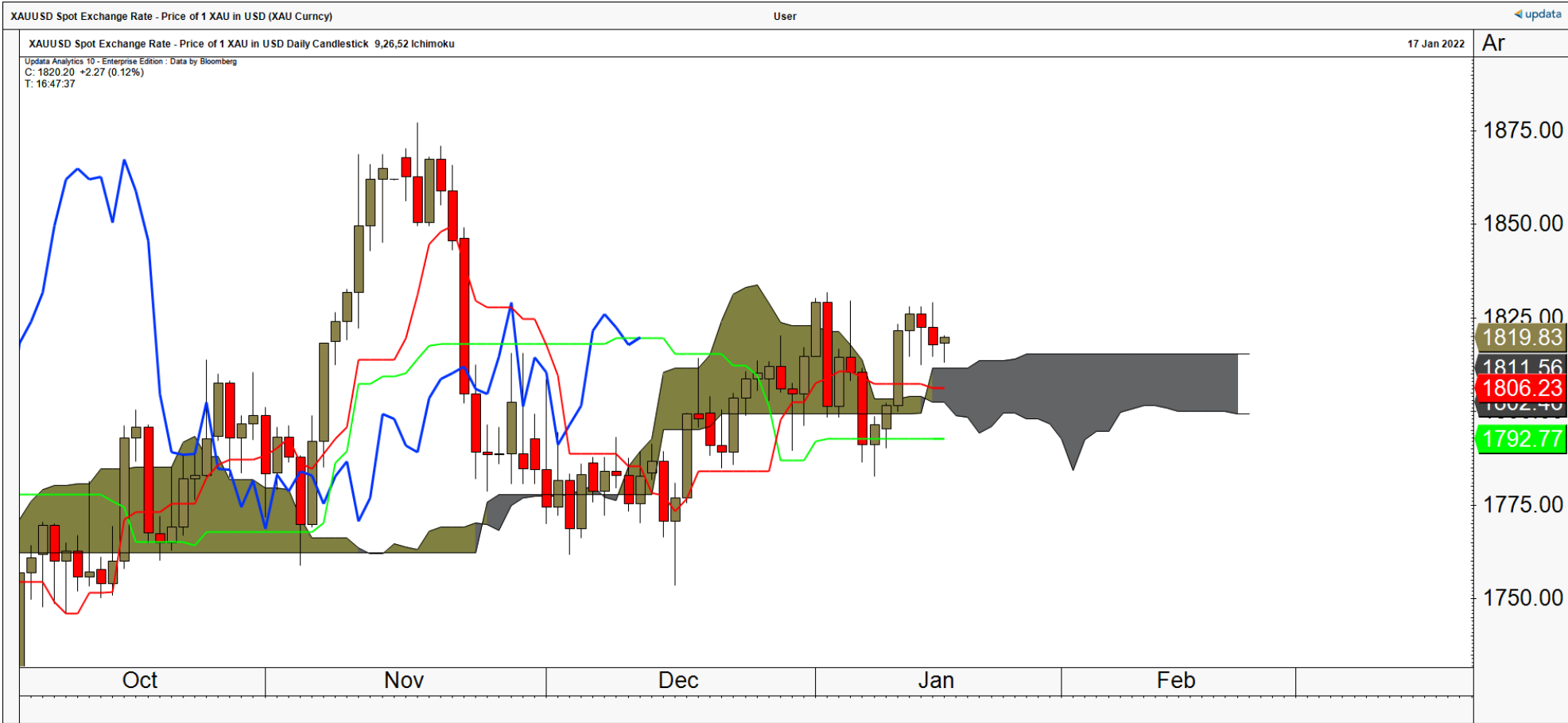
Weekly Ichimoku Cloud Chart

Gold rallied to the 61.80% retracement of the November-December drop three times since late December but so far has not been able to break on through. The top of the Weekly Cloud drops sharply over the next three weeks, and this may give gold a better chance to break above that key resistance level that thwarted the November rally.



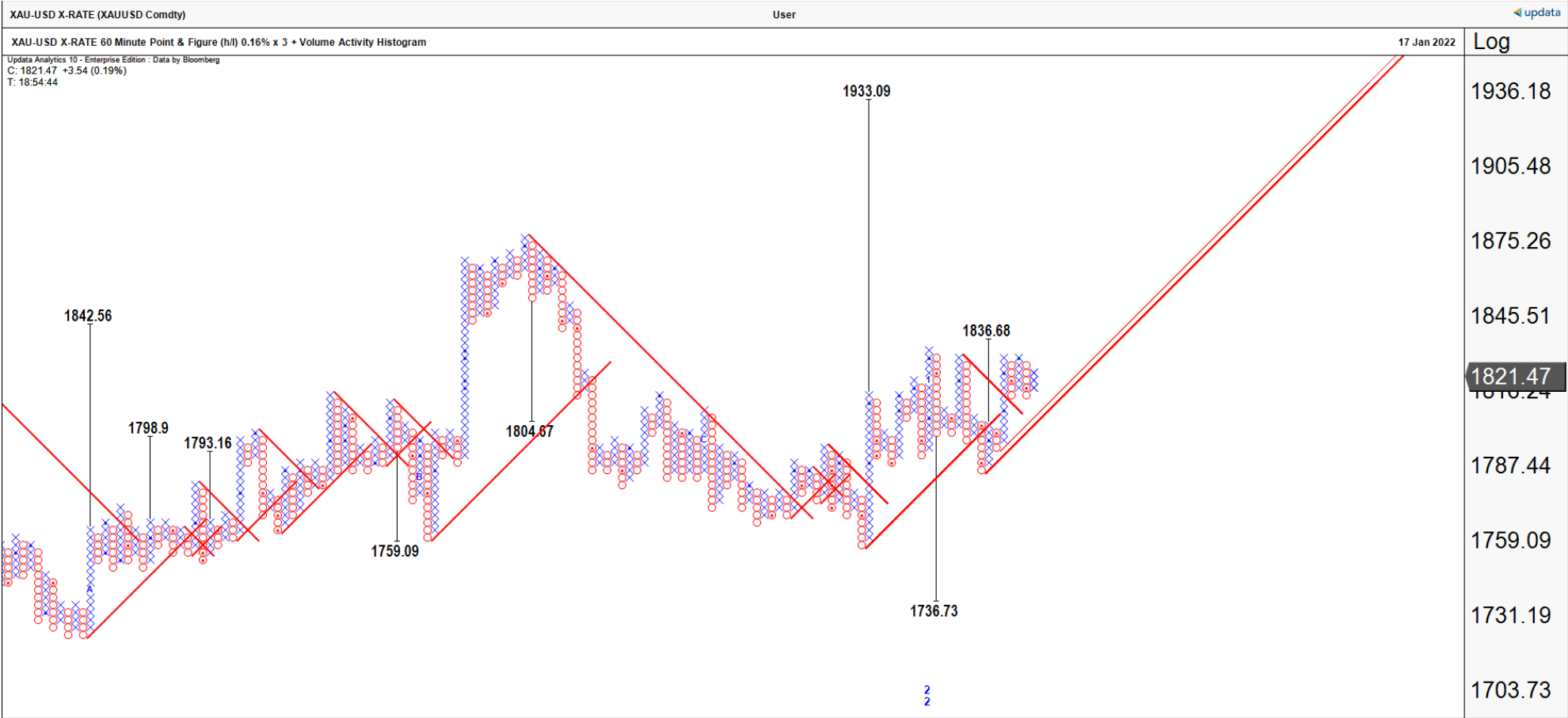
Daily Ichimoku Cloud Chart

Gold breaks up through the Daily Cloud for the second time, this time with more confidence. Support comes in between US\$1,802 and US\$1,811 from the Daily Cloud and the red Daily Turning Line.



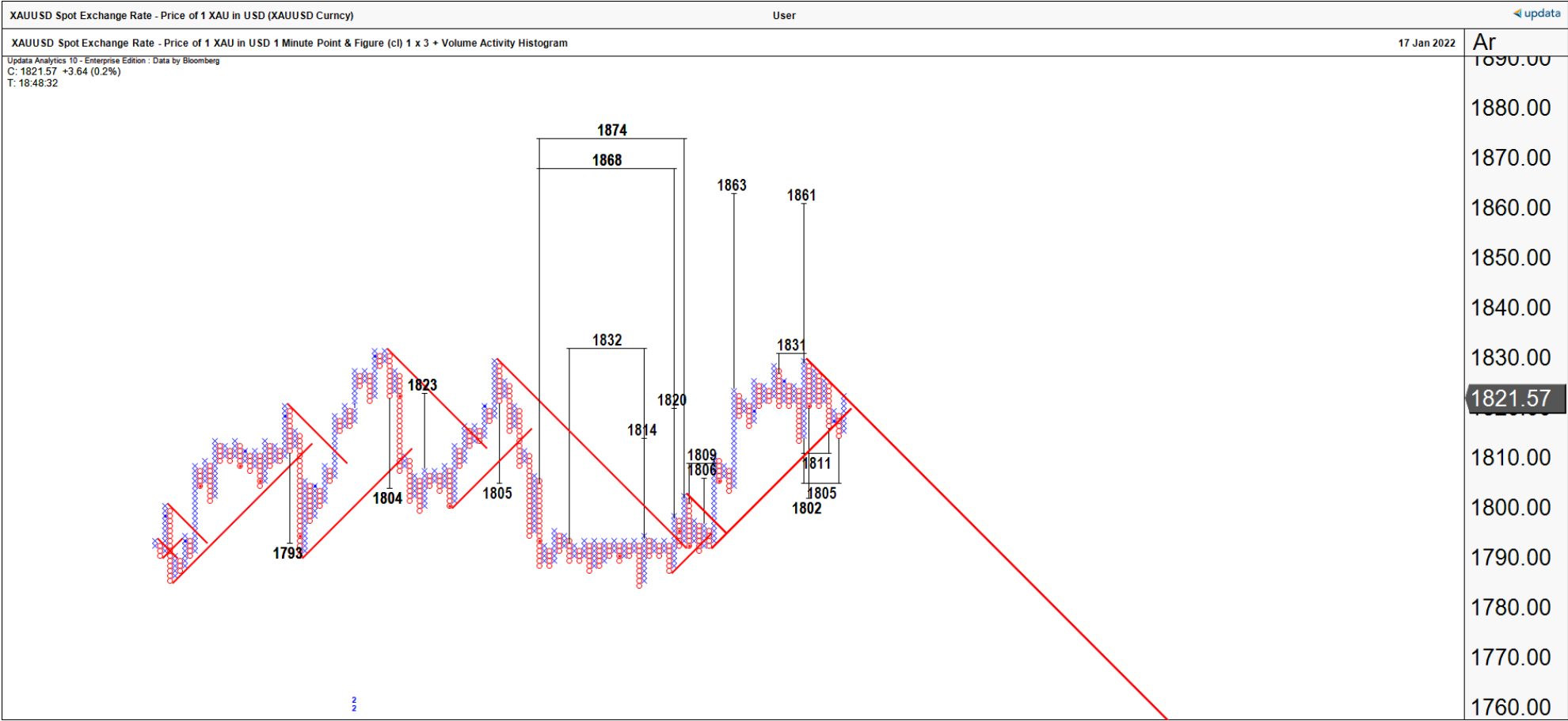
Gold Hourly Point and Figure – Medium Term

Adjusted for the recent volatility. Overall positive trend (still) with support at US\$1,810 and US\$1,805.



Price Targets via Point and Figure – Short Term

The upside price targets to US\$1,833 from the chart sent out on the 24th where more or less met with a high at US\$1,831.88. After the energy needed to cycle up to that higher level dissipated, the price swung lower and now looks to work lower into Daily Cloud support.



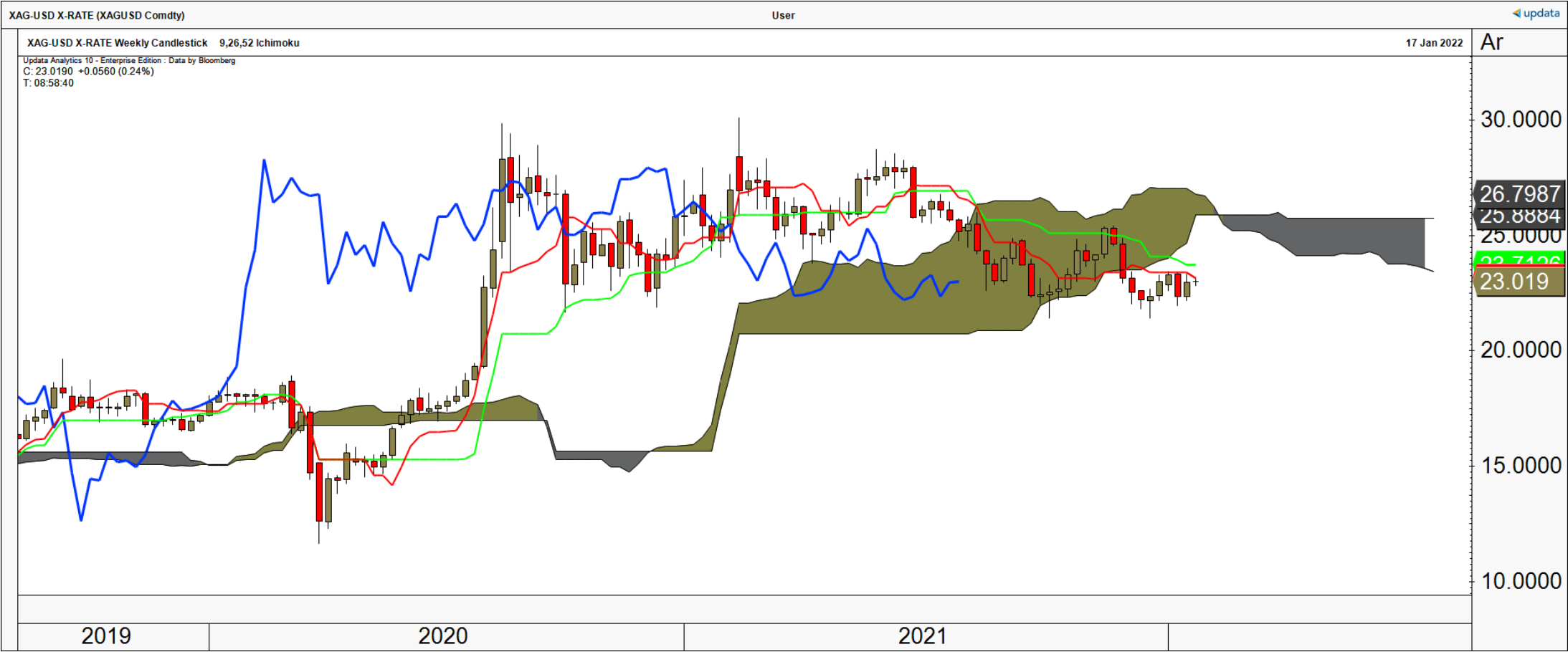
Gold in AUD via Weekly Ichimoku Cloud

Aussie gold lines up below the Weekly Cloud top resistance at A\$2,531. A close above that level will be ‘more positive’. Support at A\$2,437 still.



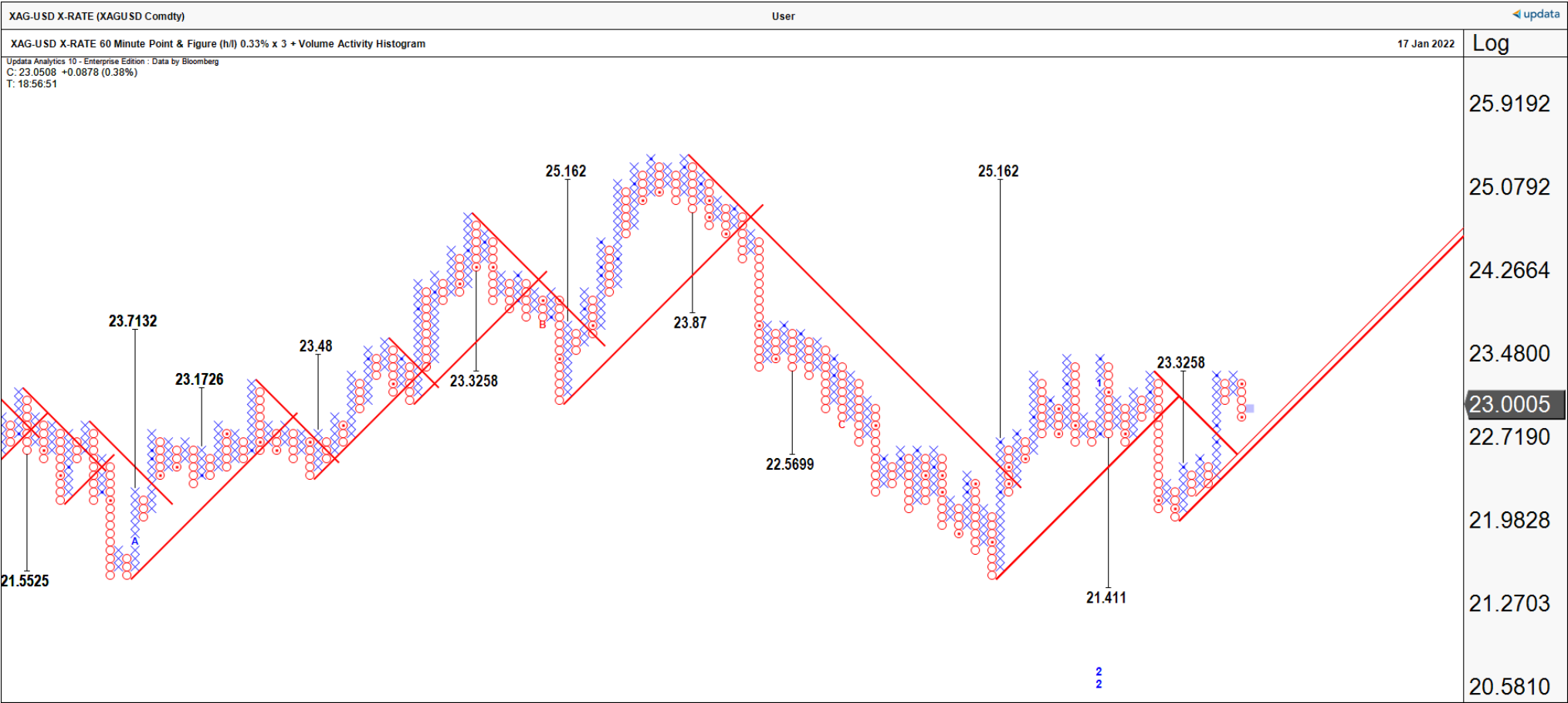
Silver in USD (Weekly)

The macro view of silver. Resistance at US\$23.41 and now at and US\$23.16 from the Red weekly Turning Line. Silver hasn't closed above the Turning since late November, so a close above the Turning line would be the first step needed for a recovery in silver's outlook.



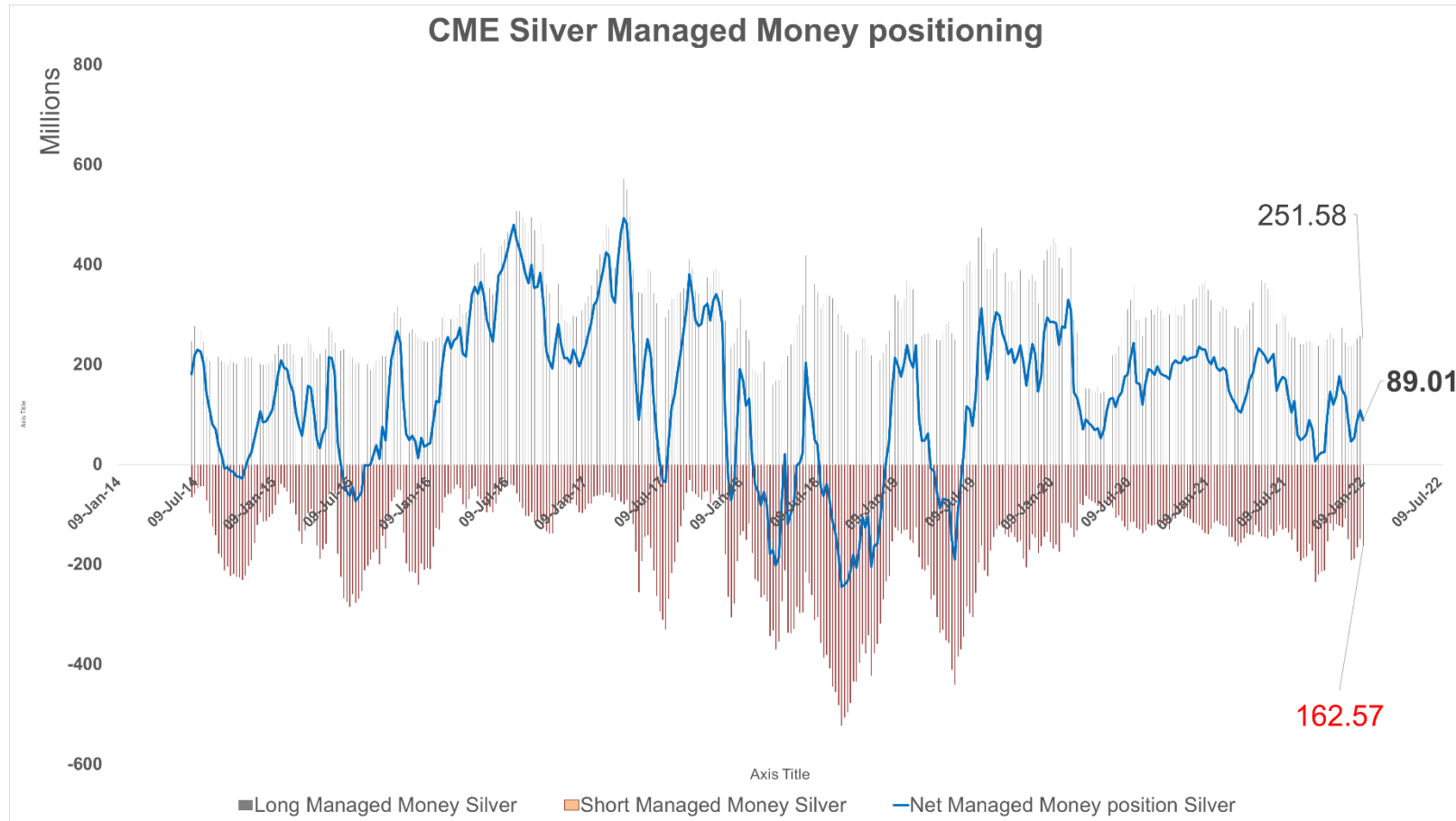
Silver in USD – Hourly Point and Figure

Targets for the XAGUUSD medium term. A return to a positive trend, but so far no more remaining upside targets...support at US\$22.65.



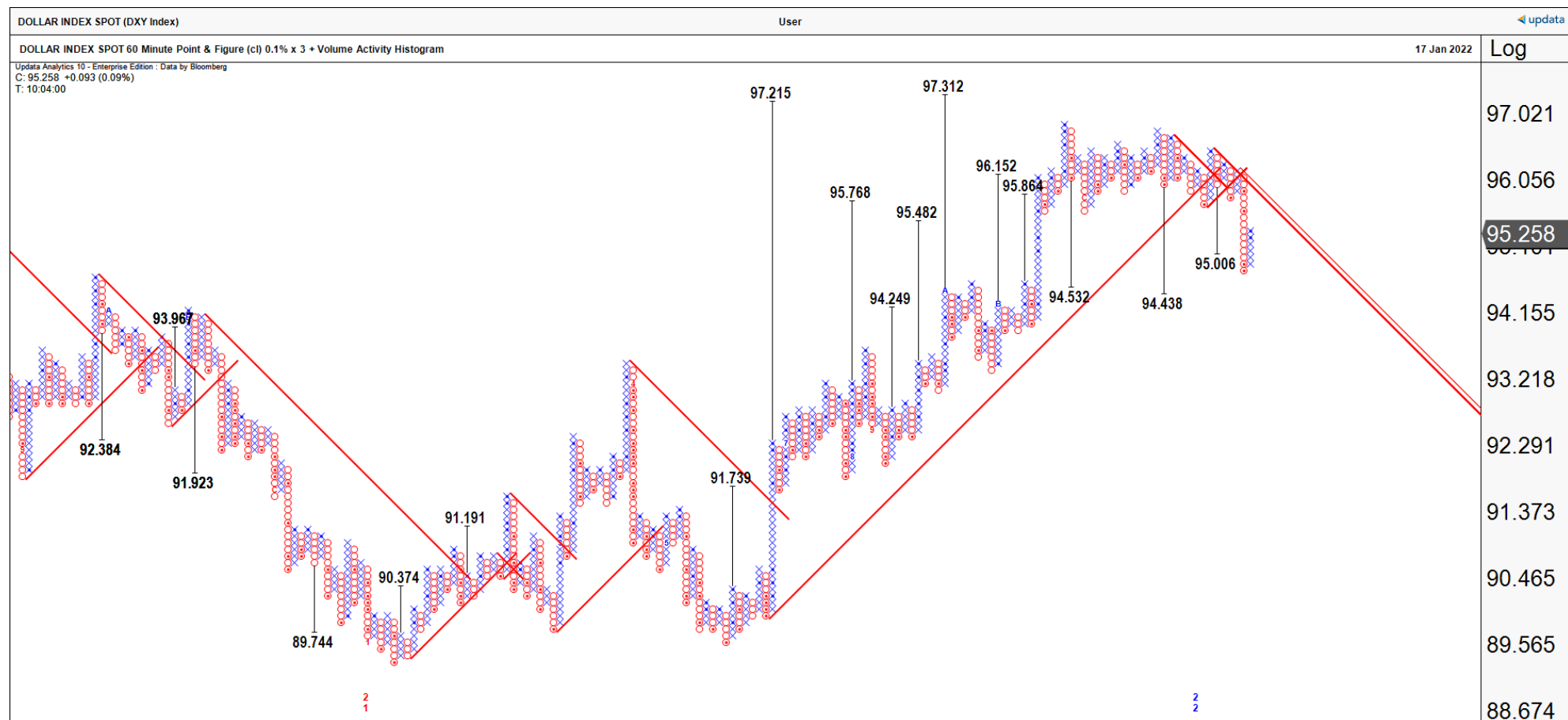
Overview of Managed Money Positioning in Silver (Futures only)

Silver net positioning declines slightly as Managed Money shorts increased by 13.48 million Tozs and long decline by 6.40 million Tozs.



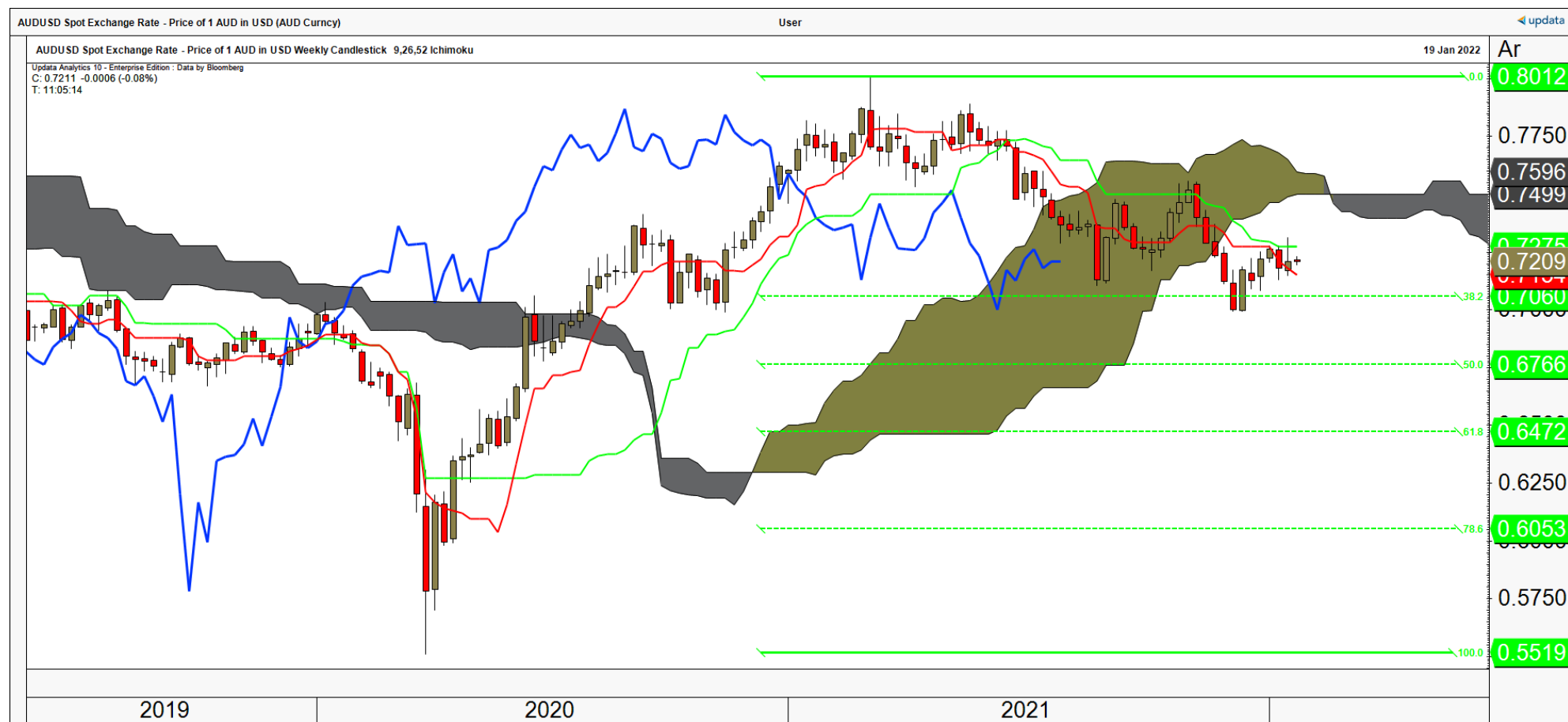
The Dollar – DXY

Hourly Point and Figure. The DXY turned to follow downside targets, not too far from the 94.438 target (the DXY made a low of 94.629) before beginning to cycle back higher. Resistance around 95.77? Dollar weakness is arising from asset outflows from richly-valued US assets.



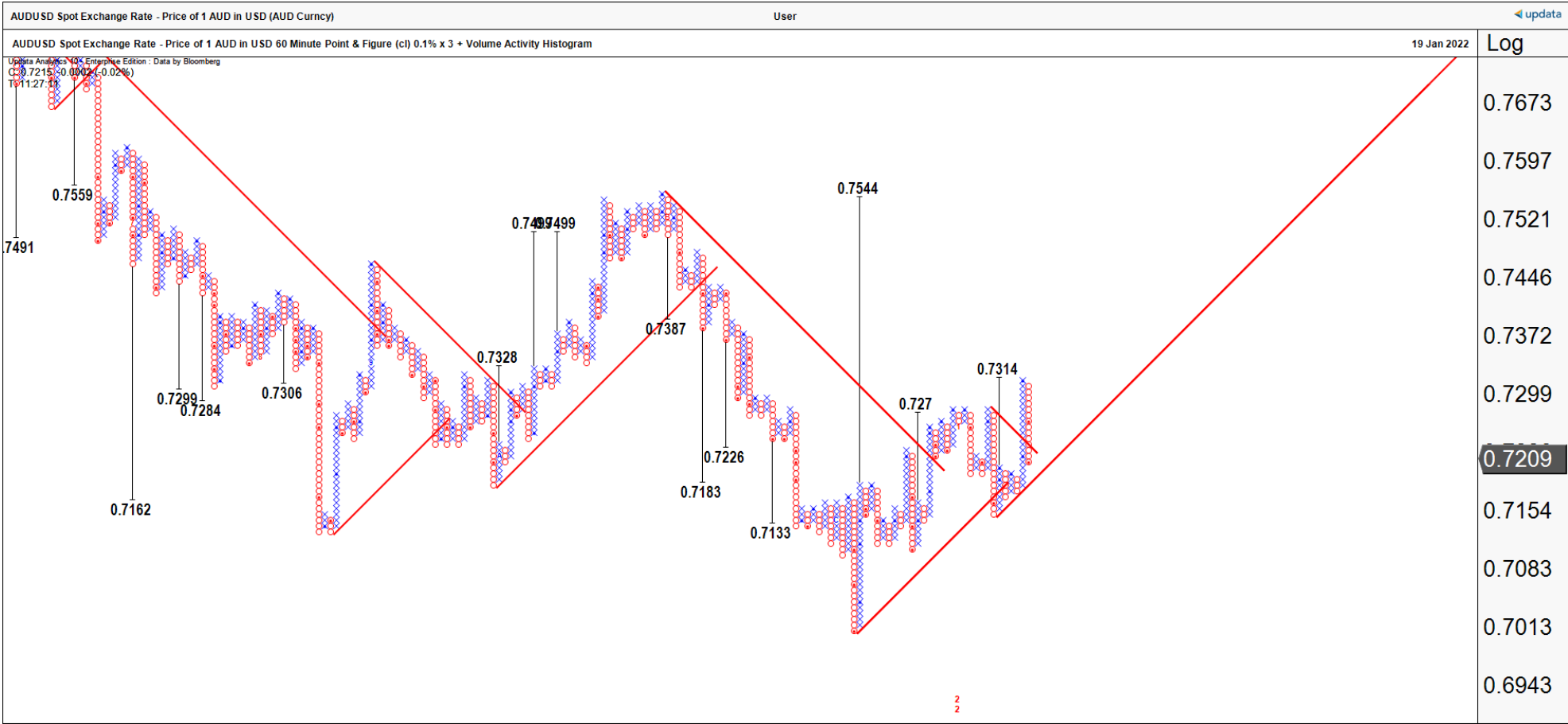
AUD Weekly Ichimoku Cloud

The AUD Weekly Standard line proved resistive to the AUD rally in early January. CME Non-commercial positioning shows the largest net short on record. (Outright shorts are about 88% of the largest short position ever, however outright longs are close to decade-lows and 20% of the size in August. In positioning terms, sentiment is ugly indeed. Another interpretation is that there is scope for a rally basis such positioning, however I think that would have to involve a significant change in thinking about the speed of RBA action and a much more upbeat assessment of the Chinese economy in 2022. The medium-term outlook remains negative, which is *ceteris paribus* positive for XAUAUD.



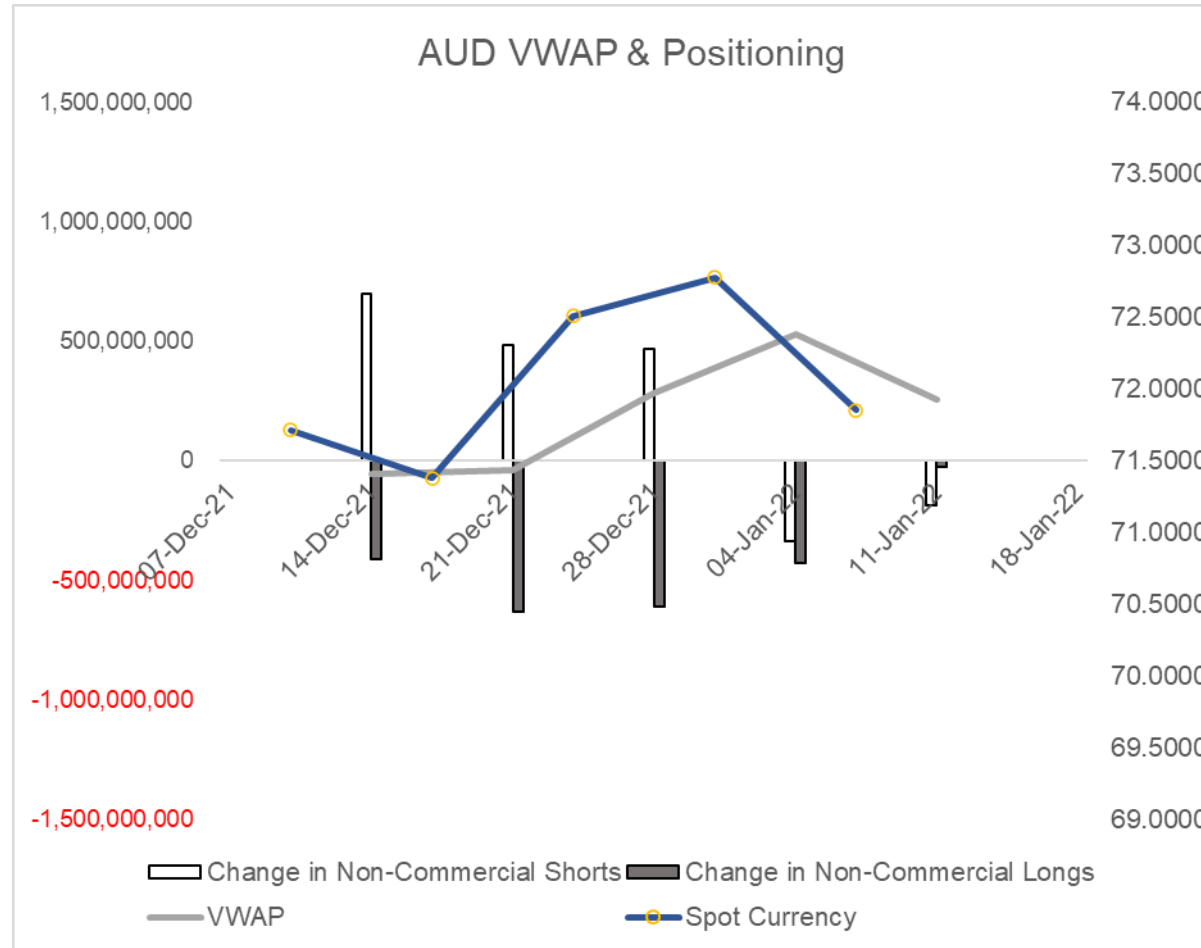
The AUD Hourly Point and Figure

The AUD made a low in December of 0.6993 and appeared over-extended on the downside. The immediate (0.7314) target has been met, the recent weakness should find support at 0.7168-0.7170.



AUD Positioning and VWAP

Some AUD shorts got pushed out on recent rallies, while longs have used those rallies as an excuse to decrease their positioning, which looks negative.



Where to From Here?

Gold is pushing into the Weekly Cloud from below and is benefitting from the weaker US Dollar owing to a rotation away from expensive US assets.

The expected rise in US yields is a headwind for gold and current (rising) real yields imply a lower fair value in the US\$1,700s.

Gold may be benefitting from diffuse geopolitical stresses, and possibly from the effects of rotation away from risk assets in a rising yield environment.

Nearby resistance at US\$1,829-33.

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

The December comment mentioned that “...*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*”. That is still a possibility though 2022.

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.) | 13% |
| US\$2,172 | 2% Daily Point and Figure. (Delta basis 1 Yr Exp.) | 20% |
| US\$1,933 | Basis hourly chart above (0.50 % box size) 3 mo. Exp. | 21% |

Targets (Downside)

| | | |
|-----------|---|-----|
| US\$1,580 | Daily US\$20 Point and Figure (Delta basis 1 Yr. Exp.) | 16% |
|-----------|---|-----|

Nearby target probabilities basis spot US\$1819 for 1 year (or 3 months if indicated) and created by solving for option delta on the Bloomberg option pricer.

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