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ABC Bullion Monthly Precious Metals Technical Analysis Report

June 2022

Gold - In Brief

Good day – apologies for the skipped month. As always, [The Pod of Gold](#) podcast with Shae Russell is great for a discussion on gold, silver and wider macro themes in between each monthly report.

Themes of April, May and early June.

- Gold** The yield / Dollar interaction pushed gold down to key technical supports before the market recovered as yields and the Dollar weakened on softening expectations of Fed tightening. Managed Money fund positioning declined consistently from mid April and to some degree, this was driven by both decreasing length and increasing short positioning.
- Silver** Silver was closely linked to moves in the price of LME copper, which in turn was influenced largely by urban lock-downs influencing Chinese economic activity, where Caixin Manufacturing PMI fell to 46.00 at the end of April and Chinese Services PMI dropped to 36.20. Silver 'long' Managed Money positioning dropped by 27 % from mid-April and shorts increased by 230 % (!) from 64 million Tozs at April 12th to 212 million by May 24th.

Macro themes

US real yields via the US 10-year TIPS rocketed higher in April and May, peaking (so far) at 0.36 %. The zone between -0.07 and 0.25 % looks like the area where upward momentum in yields may weaken, and the move to 0.36 % hasn't entirely damaged that thesis. As expected, rising real drove notable broad Dollar strength, and pushed gold lower. (the Russian invasion of Ukraine had itself pushed yields back down to -1.11 % very briefly as markets assessed the likely economic shock but this was not viewed as materially slowing the pace and extent of tightening, as price pressures only grew more concerning.

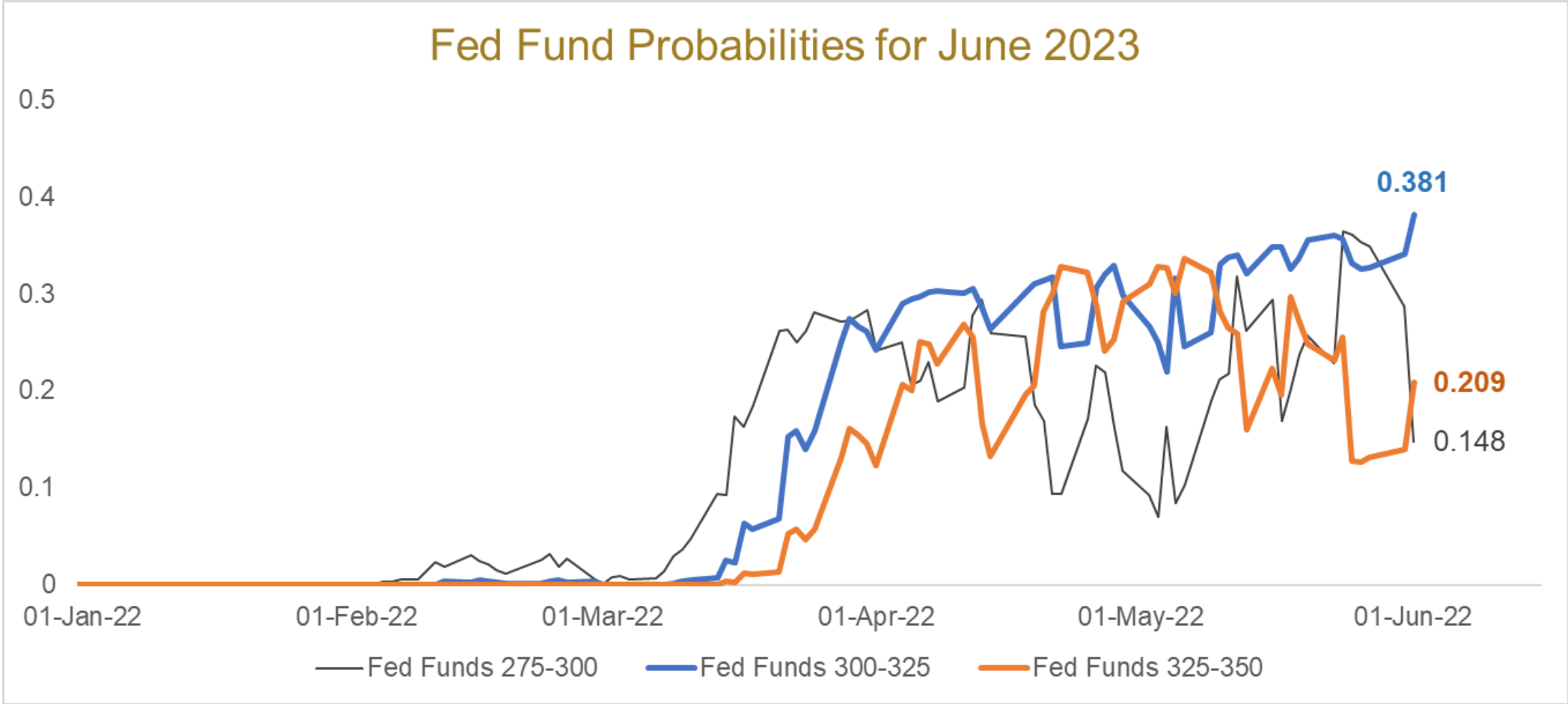
US equities continued their grind lower, with the SPX (S&P 500) losing almost 18 % between the level in March and the May low. YTD the index is down by about a fifth. Recent price action looks like a bear market rally, of which 5-6 have taken place in previous major declines. Fears over a recession climbed.

Chinese property, which will remain a key theme and a significant drag on the Chinese economy continues to struggle and I am pessimistic that the policy adjustments announced recently (a 15 bp reduction in the 5-year prime lending rate and easing restrictions) will be enough to offset the powerful currents influencing that market. Quoting [Nikkei Asia](#), the 26 out of 31 listed property developers with annual sales in excess of US\$15 billion reported YOY falls in April in excess of 50 %. Q1 sales fell more than 50 % in Q1. In any language, that's alarming.

Likewise, Australian and NZ property is rolling over in response to tighter money.

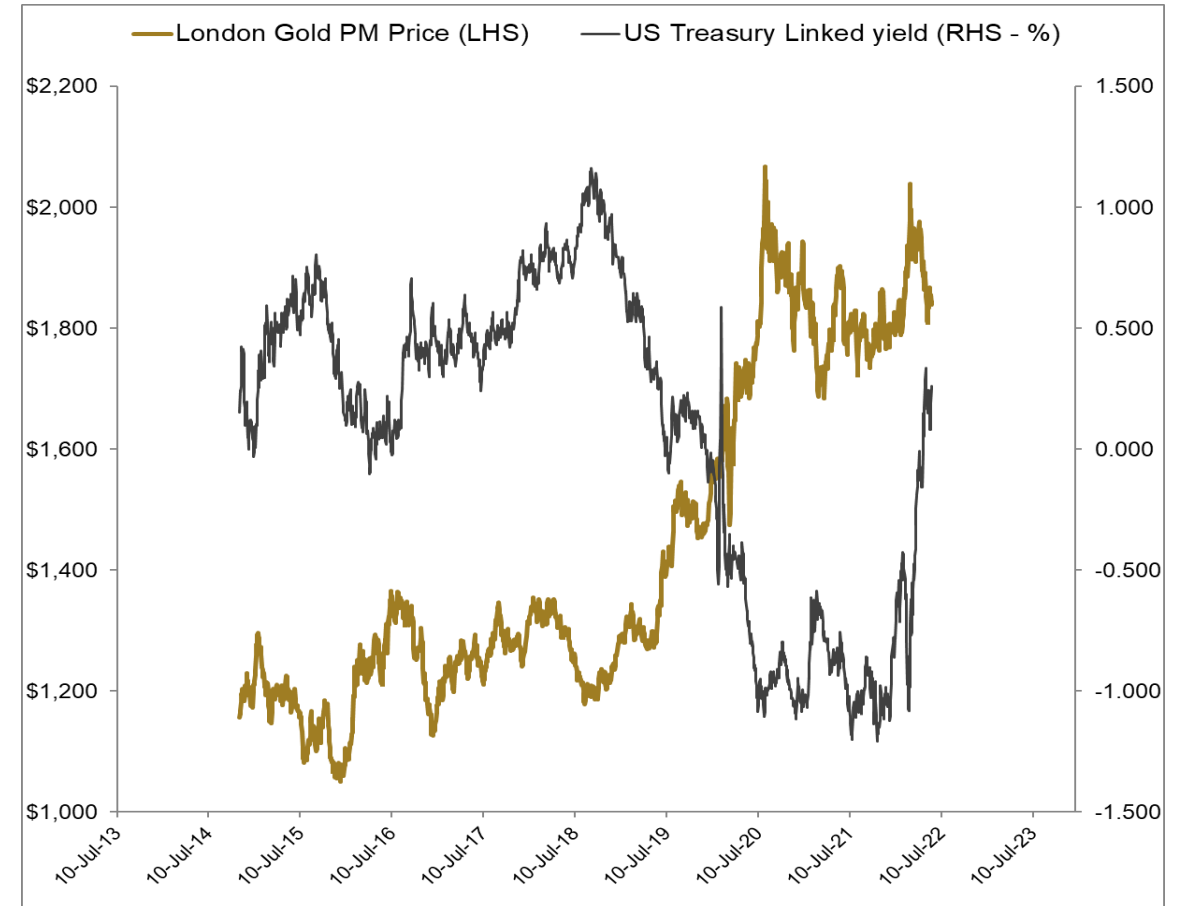
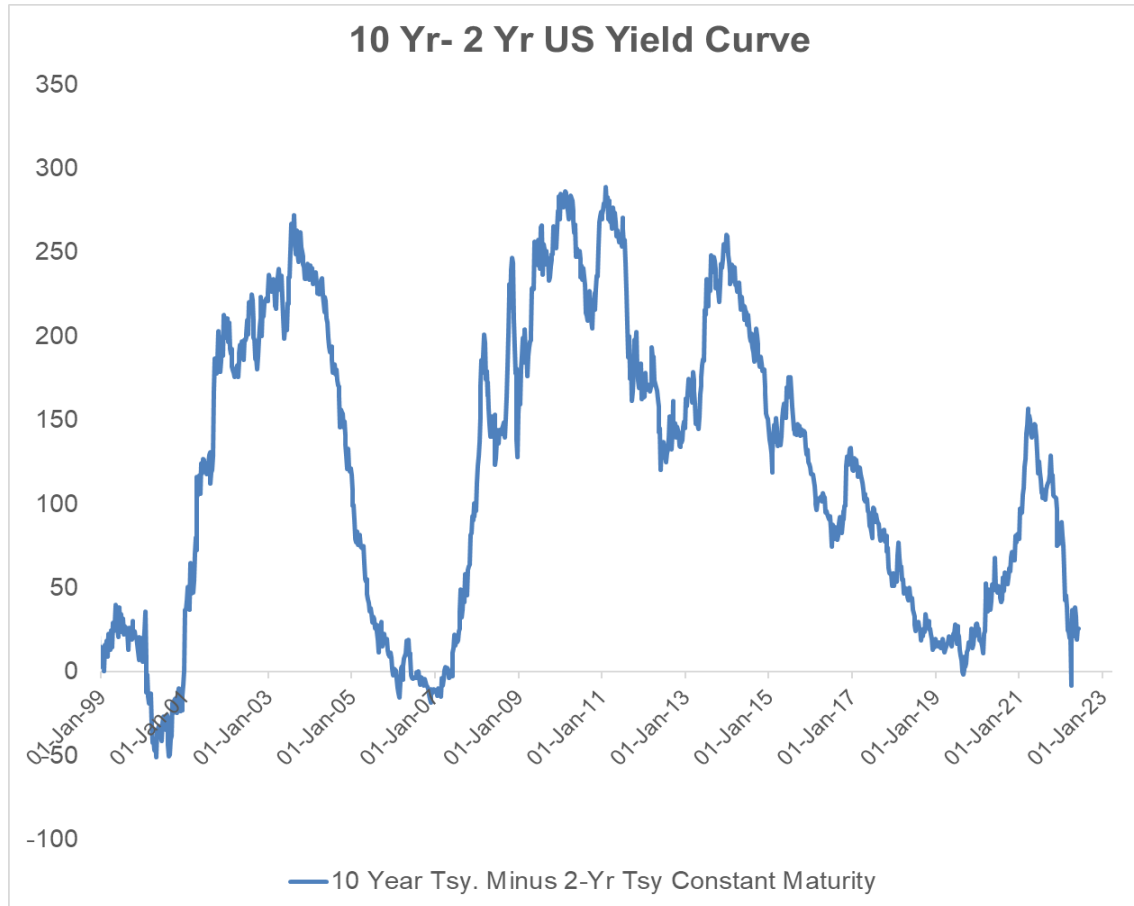
Market expectations for USD Fed Funds – June 2023

Market based pricing showing the expected probabilities of Fed Funds a year hence. There are other potential outcomes, hence the values do not sum to 1. Expectations have shifted to 3.00-3.25 % relative to the 3.25-3.50 % level. Both levels have risen ‘at the expense of’ the 2.75-3.00 % expectation. *Source: CME Fedwatch tool/ABC Refinery.*



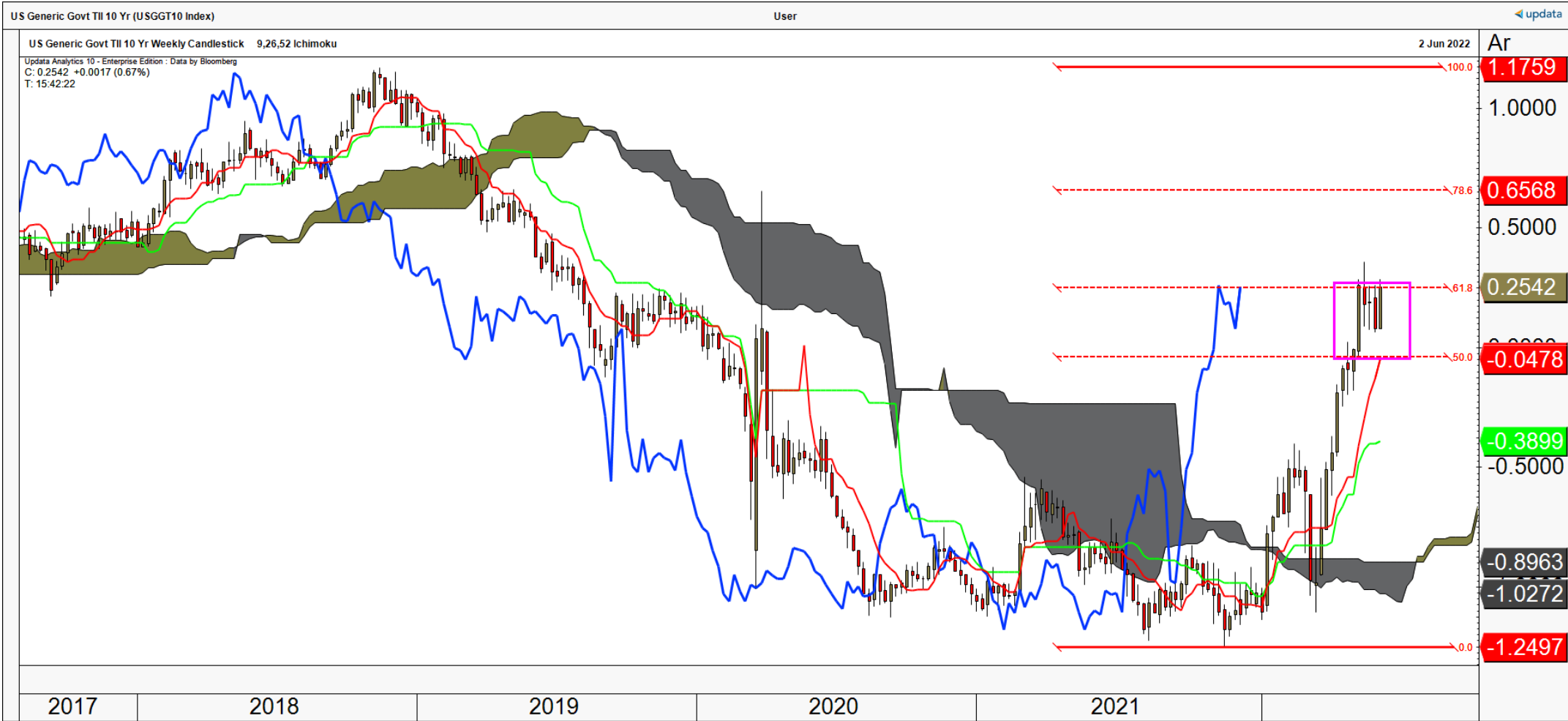
Money and yields

The 2s-10s spread reinforces the fear of a slow-down – although May has seen a slight improvement. The 10 year 'real yield' continues to influence the gold price. Gold has held up relatively well in the recent round of higher yields and duration-selling.



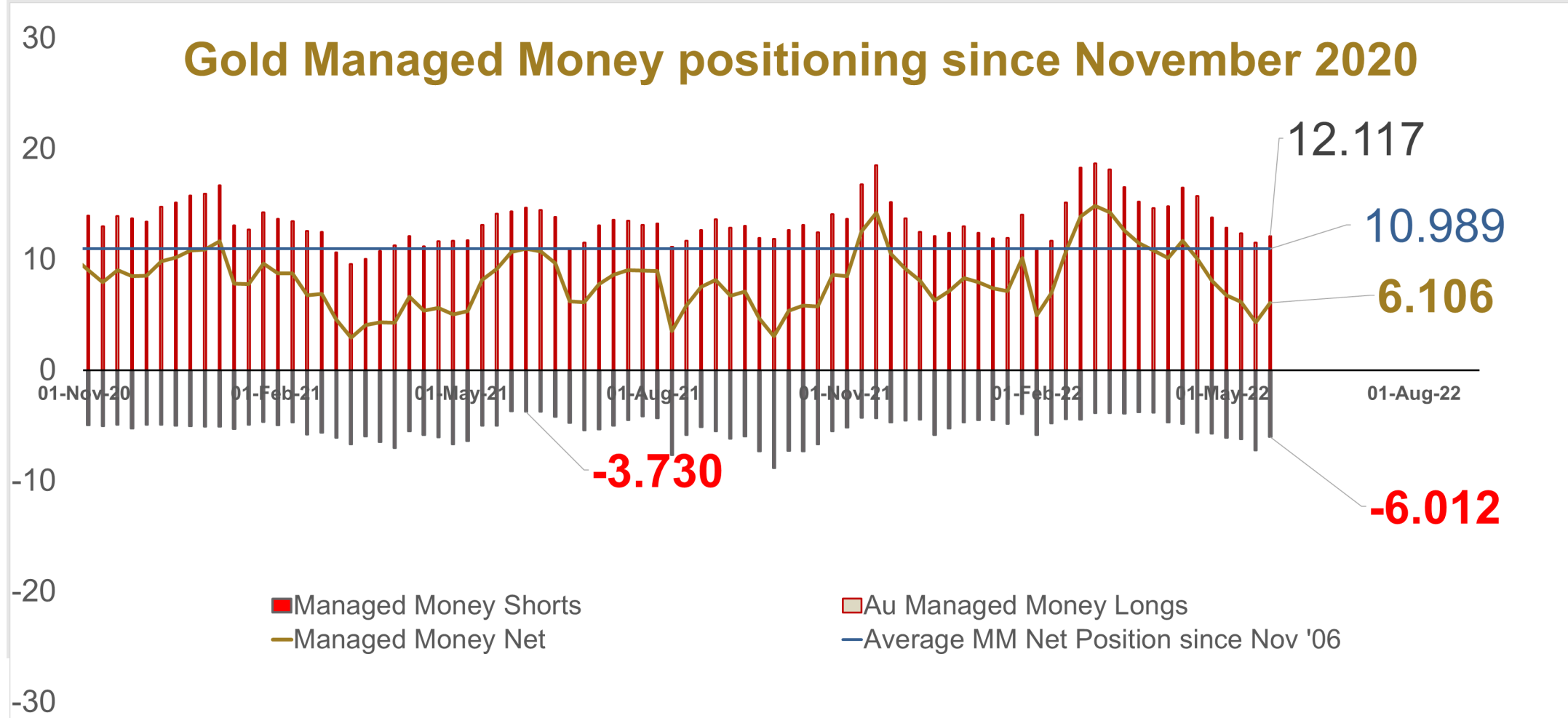
10-year US Yields (TIPS)

10-year yields continue to chop around in the zone between the 50 % and 61.80 % retracement of the November 2018 to November 2021 move. Bold to call a high in real rates, but momentum may flag in this zone.



Overview of Managed Money Positioning in Gold

A 6-week decline appears to end, and shorts start to cover (buying back the most since October 2021.) Net positioning sank to 4.336 million, the lowest net positioning since last September, before recovering to 6.106 million. This is still far below the long run average net position...



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

Gold short covering twice that of new (fresh) longs, with a very short window of time to get those shorts back at the start of the week ending the 24th. Silver shorts have grown every week since before the end of April and the last 85 million Tozs could look somewhat vulnerable?

Volume-weighted Average Price - GC

Published 02 June, 2022

	Weekly Change in Managed Money Positions (Futures only)			
Week ending on:	US\$ VWAP	Longs	Shorts	Net change
Tuesday, 24 May 2022	\$1,838.43	560,200	-1,209,500	1,769,700
Tuesday, 17 May 2022	\$1,831.97	-835,900	1,027,300	-1,863,200
Tuesday, 10 May 2022	\$1,871.87	-489,700	95,800	-585,500
Tuesday, 3 May 2022	\$1,888.47	-938,700	388,300	-1,327,000
Tuesday, 26 April 2022	\$1,934.95	-1,934,500	80,400	-2,014,900
		-3,638,600	382,300	-4,020,900

Gold ETF Change in position	-1,698,407
Total change over period	-5,719,307

Volume-weighted Average Price - SI

Published 02 June, 2022

	Weekly Change in Managed Money Positions (Futures only)			
Week ending on:	US\$ VWAP	Longs	Shorts	Net change
Tuesday, 24 May 2022	\$21.78	3,680,000	9,610,000	-5,930,000
Tuesday, 17 May 2022	\$21.34	4,735,000	12,330,000	-7,595,000
Tuesday, 10 May 2022	\$22.30	-4,150,000	62,570,000	-66,720,000
Tuesday, 3 May 2022	\$23.06	-19,985,000	36,055,000	-56,040,000
Tuesday, 26 April 2022	\$24.28	-63,070,000	8,530,000	-71,600,000
		-78,790,000	129,095,000	-207,885,000

Silver ETF Change in position	-19,928,981
Total change over period	-227,813,981

Volume-weighted Average Price - PLA

Published 02 June, 2022

	Weekly Change in Managed Money Positions (Futures only)			
Week ending on:	US\$ VWAP	Longs	Shorts	Net change
Tuesday, 24 May 2022	\$943.01	-112,350	-71,950	-40,400
Tuesday, 17 May 2022	\$950.49	-28,350	-80,000	51,650
Tuesday, 10 May 2022	\$955.93	-14,150	-170,150	156,000
Tuesday, 3 May 2022	\$923.11	140,250	52,600	87,650
Tuesday, 26 April 2022	\$946.91	-110,200	520,000	-630,200
		-124,800	250,500	-375,300

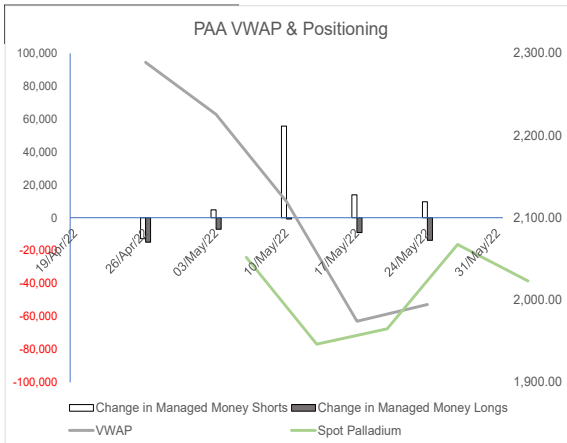
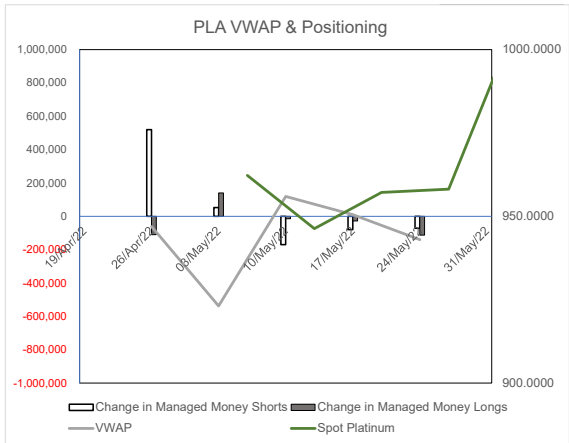
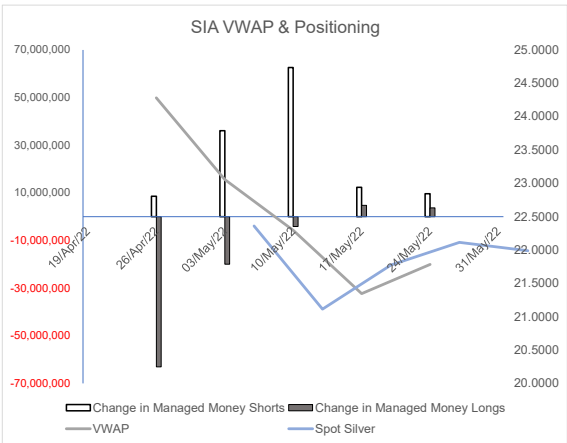
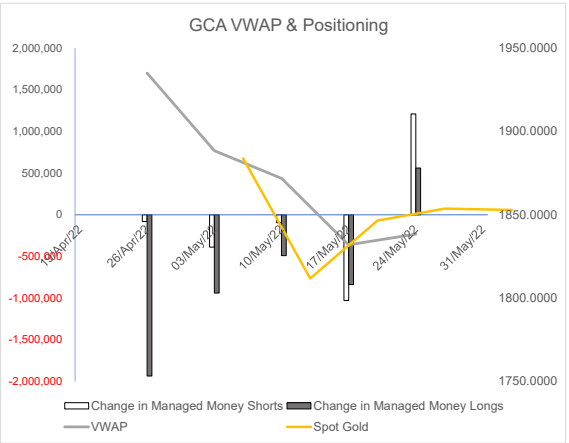
Platinum ETF Change in position	-61,194
Total change over period	-436,494

	Weekly Change in Managed Money Positions (Futures only)			
Week ending on:	US\$ VWAP	Longs	Shorts	Net change
Tuesday, 24 May 2022	\$1,994.41	-13,700	9,700	-23,400
Tuesday, 17 May 2022	\$1,974.08	-9,000	13,900	-22,900
Tuesday, 10 May 2022	\$2,119.56	-800	55,700	-56,500
Tuesday, 3 May 2022	\$2,225.75	-7,000	4,800	-11,800
Tuesday, 26 April 2022	\$2,288.83	-14,900	-12,800	-2,100
		-45,400	71,300	-116,700

Palladium ETF Change in position	-33,499
Total change over period	-150,199

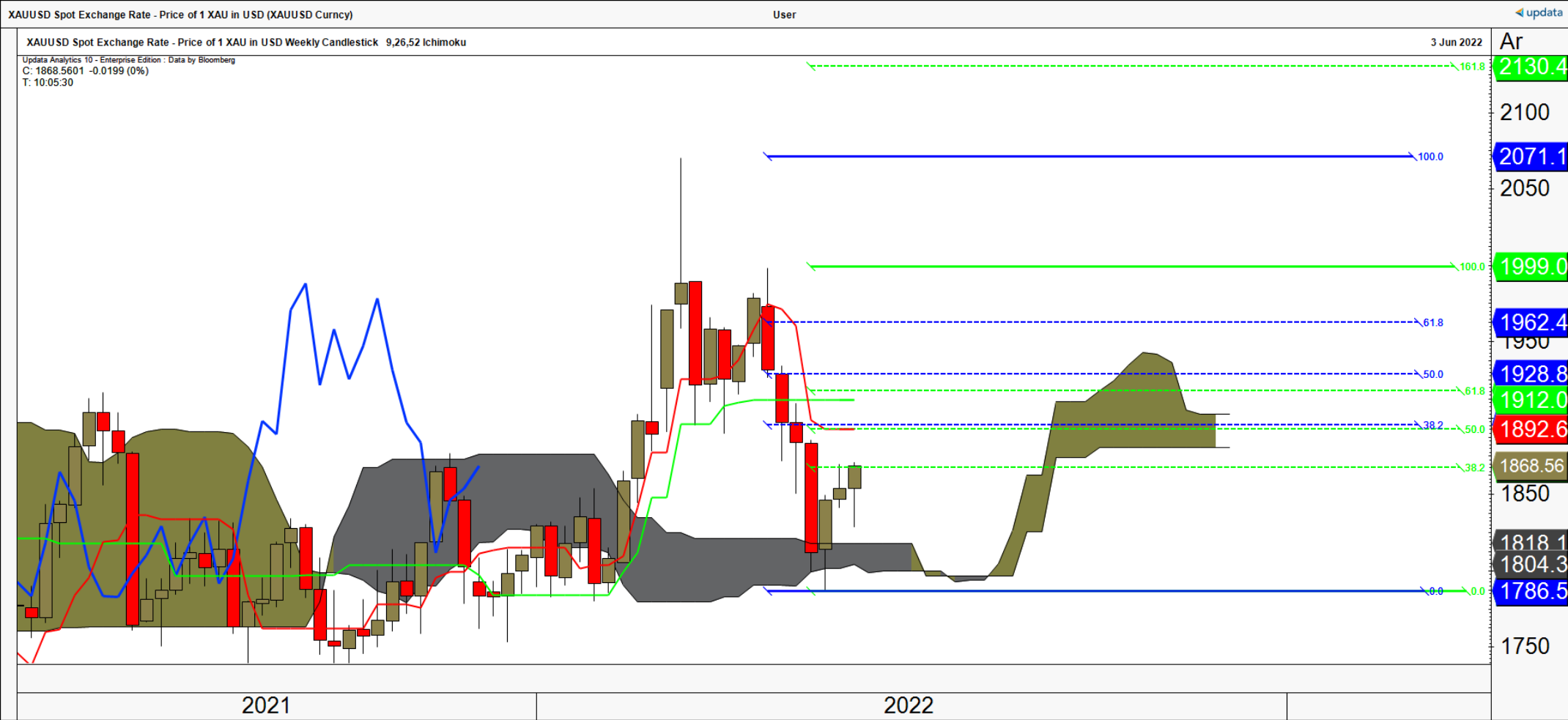
Precious metals positioning and Volume-Weighted Average Pricing (Charts)

Changes in positioning and VWAP compared with the spot price represented visually.



Weekly Ichimoku Cloud Chart

Gold in USD held the Weekly Cloud support and has rallied back to the 38.20 % retracement of the April-May down move., which was rejected initially. Its not challenging that level now, and I expect the next key resistance level to be US\$1892-1895.



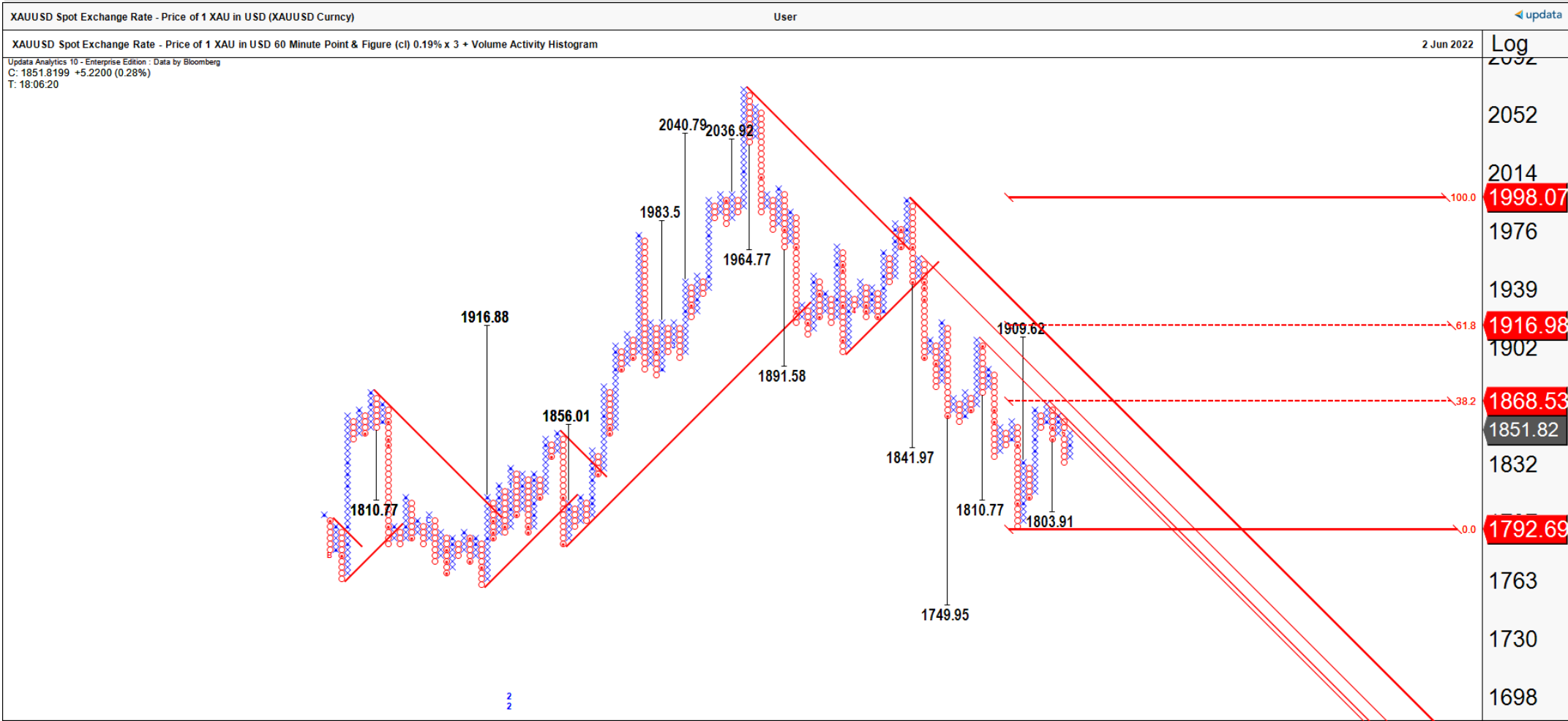
Daily Ichimoku Cloud Chart

Bearish with the price below the daily cloud. As above, interacting with the 38.20 % Fibonacci retracement as of right now. The break above the Standard and Turning Lines is bullish, and the void between current levels and the base of the daily cloud allows for a run to the US\$1900 plus level before intersecting with the descending cloud resistance.



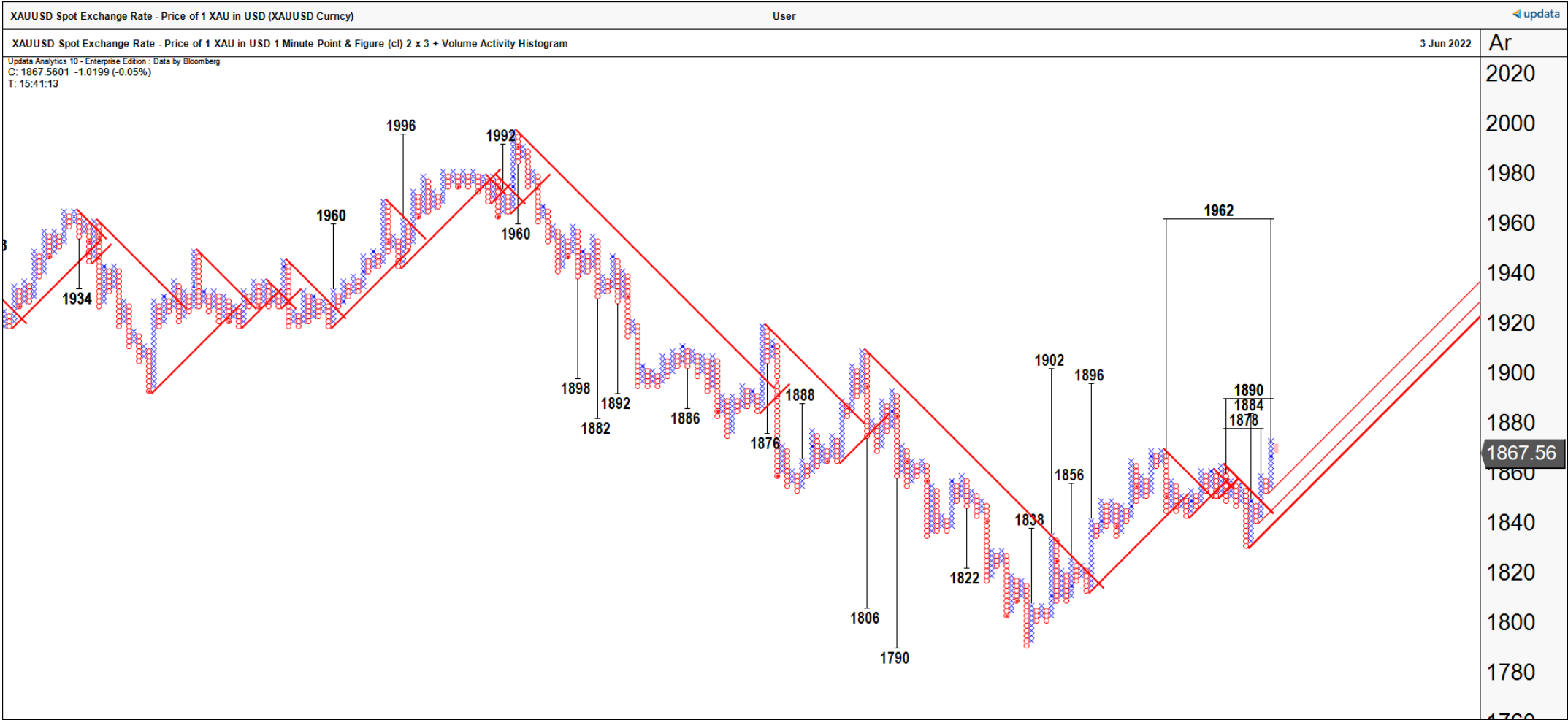
Gold Hourly Point and Figure – Medium Term

The medium term suggests lower and underscores that US\$1868 is very key. This chart covers the last 7 months of trading activity.



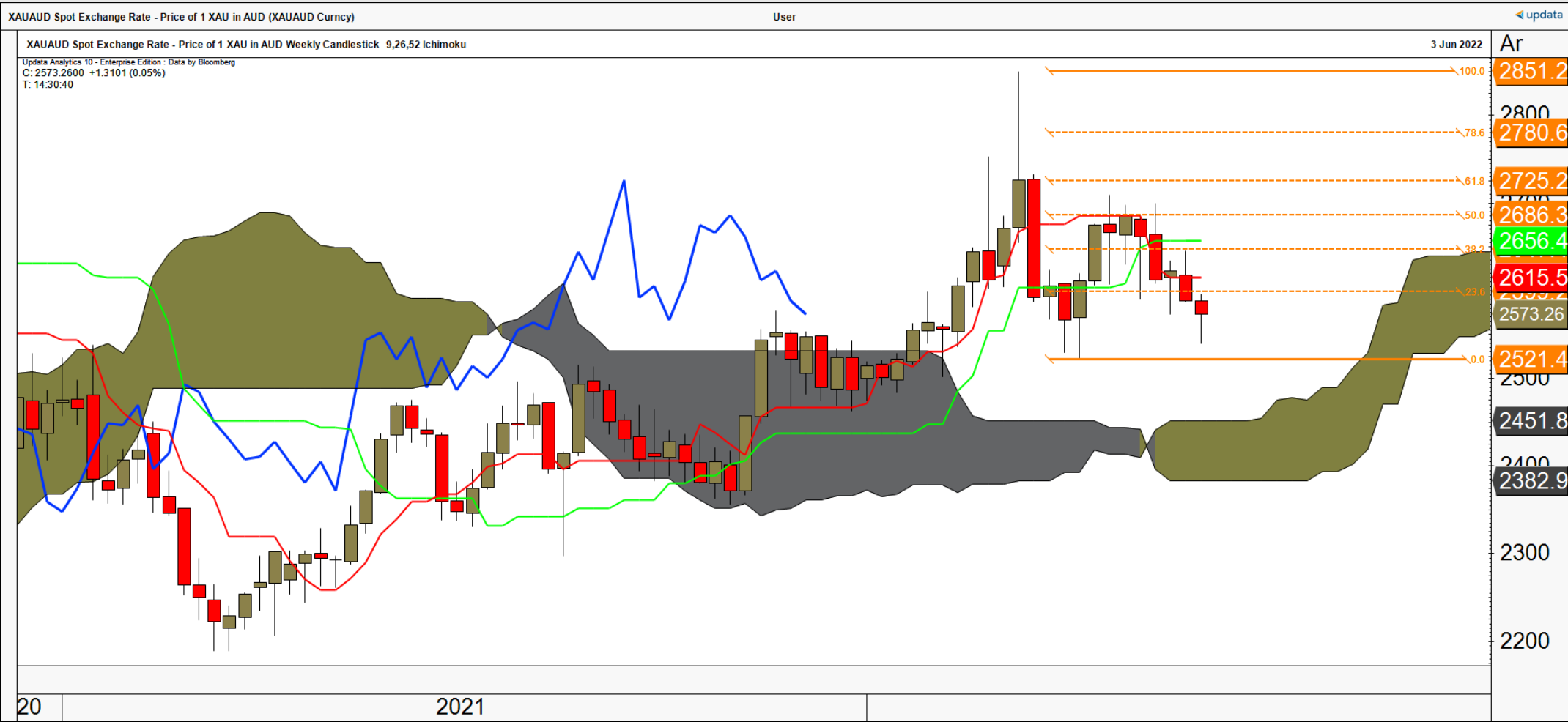
Price Targets via Point and Figure – Short Term

Building up impressive targets to the upside, having more or less fulfilled the downside targets. My take is that the upmove will fade quite close to current levels – say the sub-1880s, and test rising trend line support before moving higher?



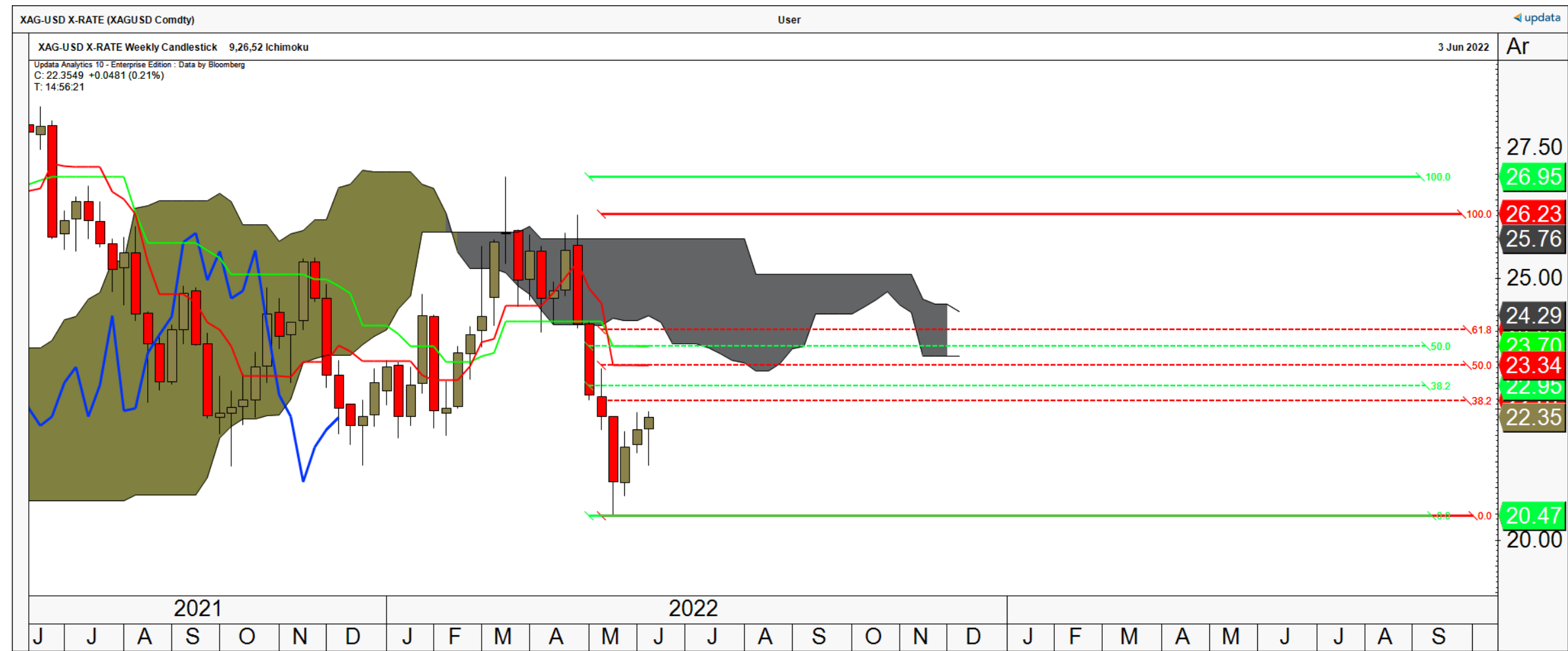
Gold in AUD via Weekly Ichimoku Cloud

The ~ 6 % rise in the AUD since mid-May has dented gold’s progress in AUD terms but the medium-term outlook remains positive. Resistance at A\$2656 and A\$2687.



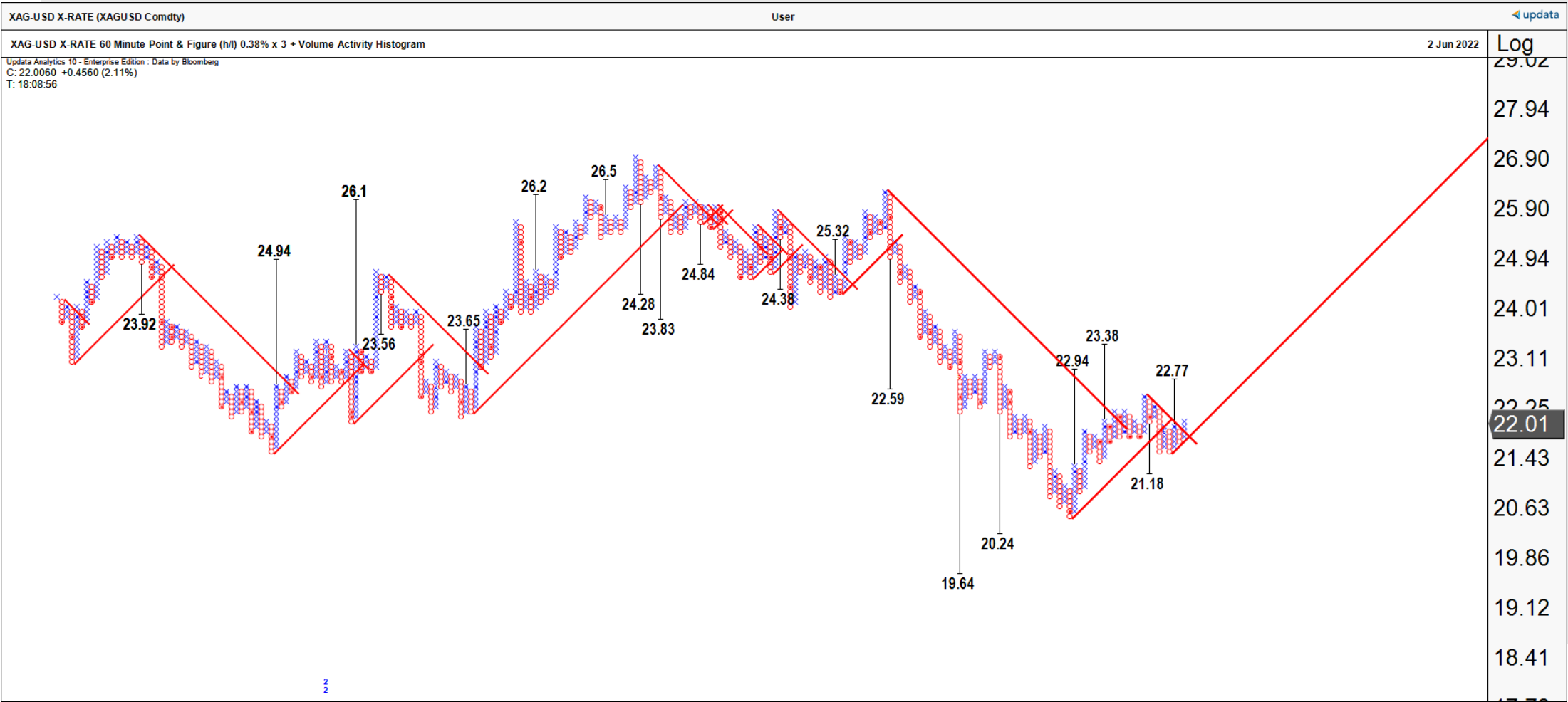
Silver in USD (Weekly)

Silver recovering from the severe plunge once it failed to break through Weekly Cloud top – a key level. Extensive short positioning and a bounce in copper are helping but note the overhead weekly cloud and the Fibonacci retracement levels that imply resistance in the USD 22.60 23.60 band.



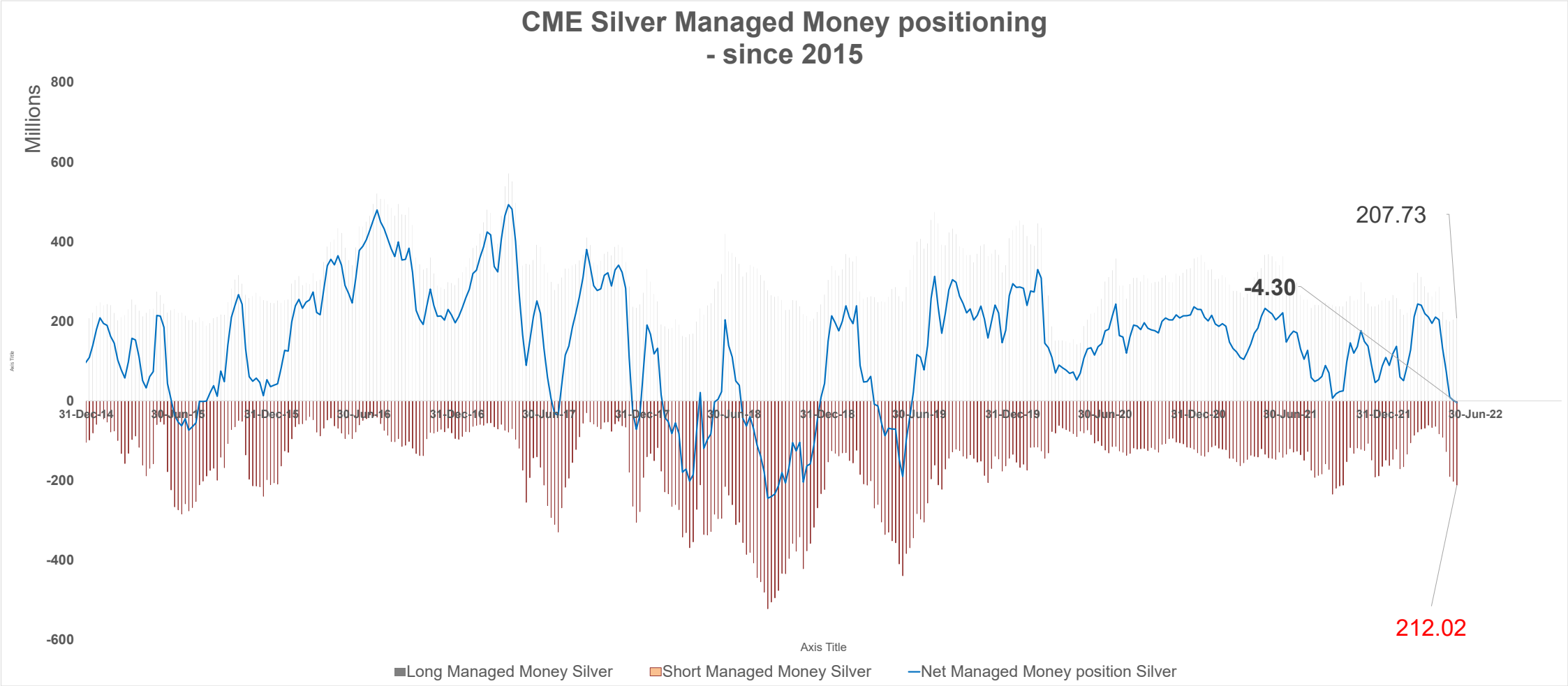
Silver in USD – Hourly Point and Figure

A fairly useful guide to silver, optimized for recent volatility. Unlike gold, the chart suggests scope for a move back above very recent highs. When you consider the tremendous short positioning, the recent price action and consequent targets seem to fit a market that has reasons to base out. As discussed, copper's bounce and Chinese re-opening help the narrative.



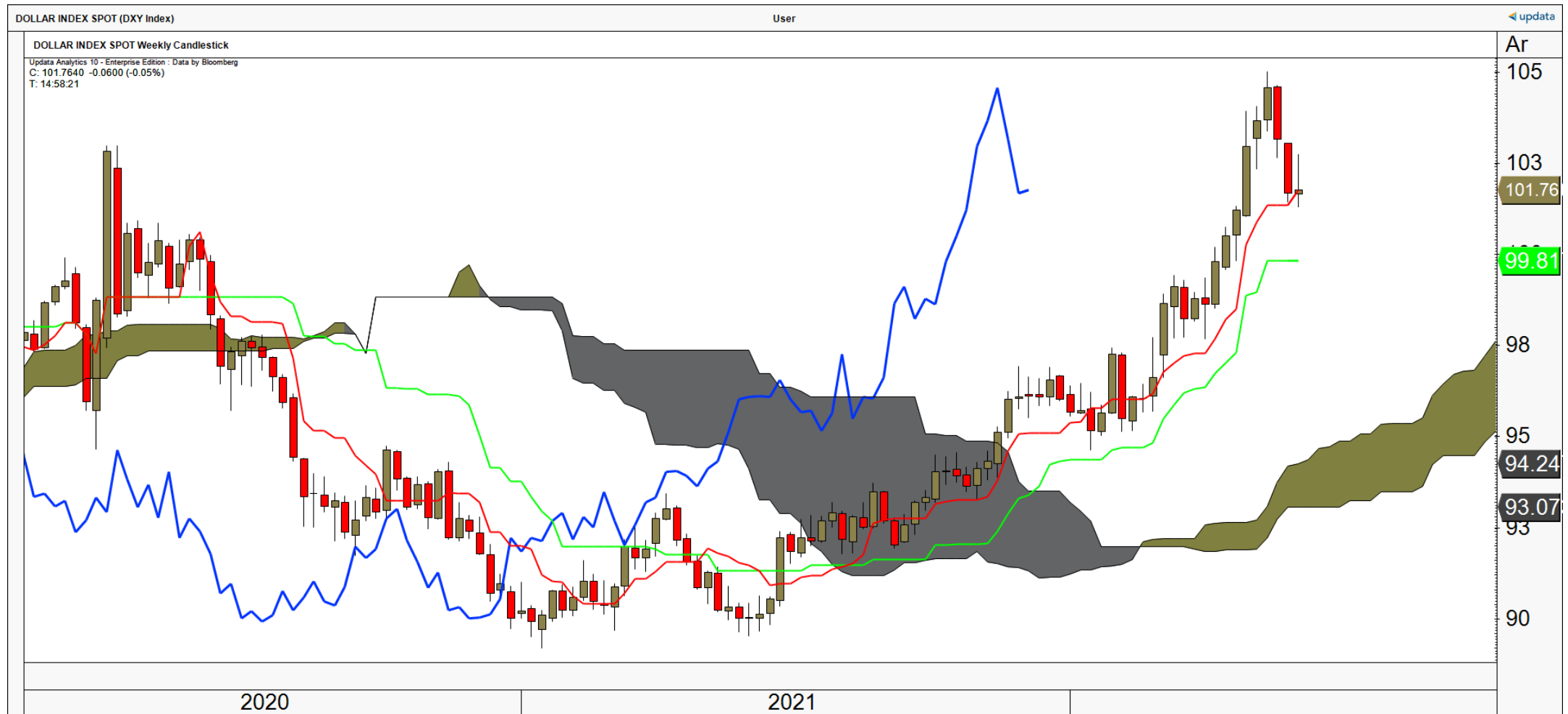
Overview of Managed Money Positioning in Silver (Futures only)

A sharp decline in longs and a significant expansion in short bets against silver from the fund sector, with net positioning dropping to a negative value. This is the first negative net positioning in silver in almost three years, since July 2019.



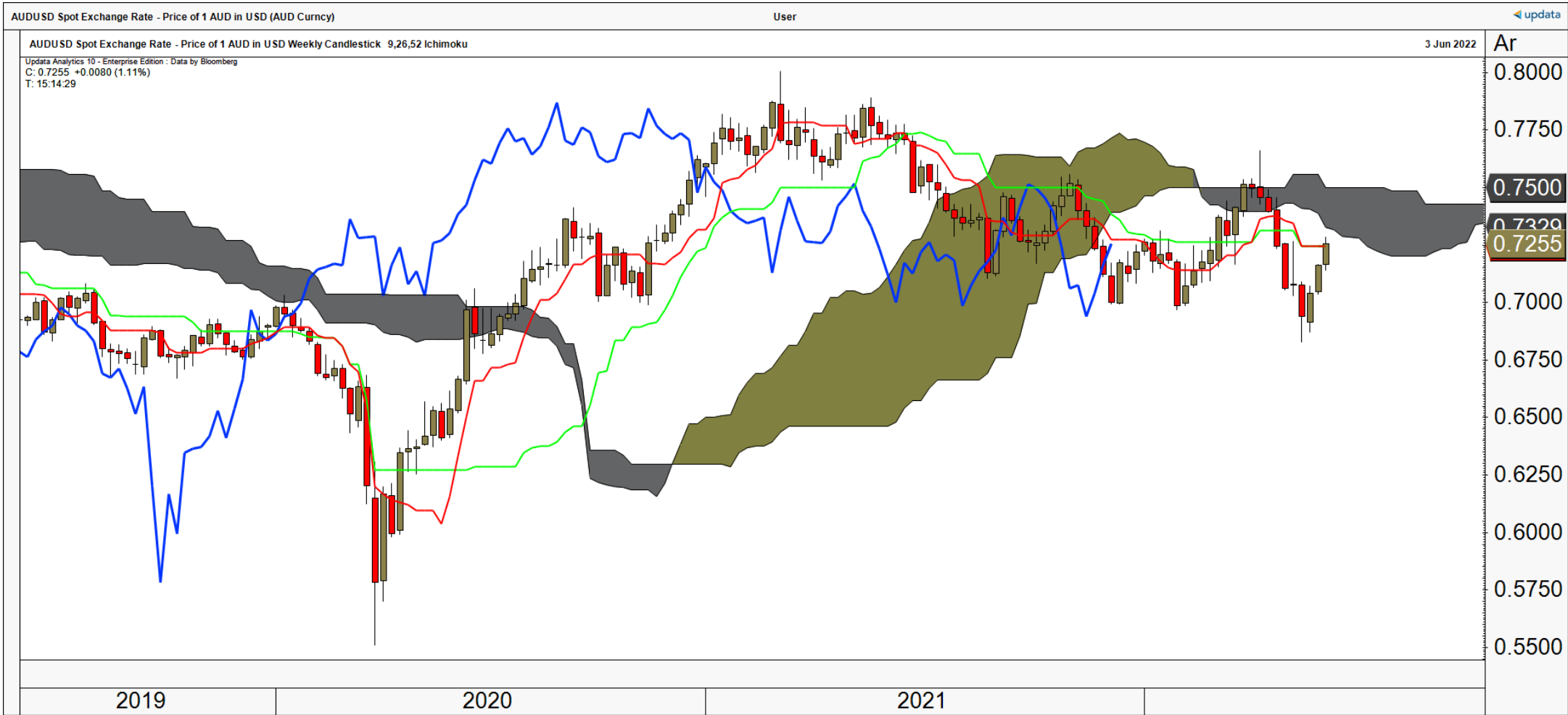
The Dollar -DXY

Some softening of growth expectations, a slightly more risk-on sentiment and weaker labour market conditions relative to recent strength means broad Dollar weakening – but that blistering rally wasn't going to carry on forever. Support around the 101.70 level from the Weekly Turning line.



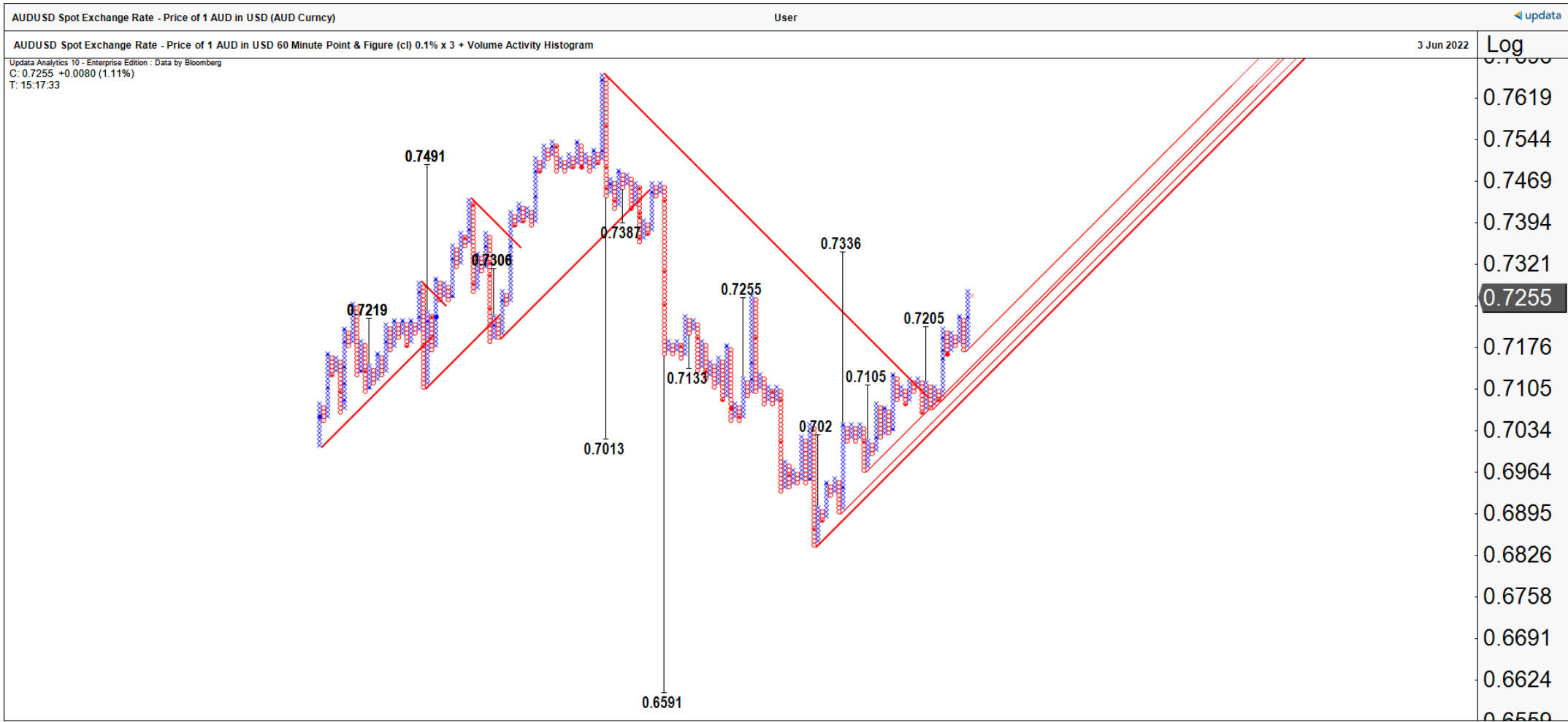
AUD Weekly Ichimoku Cloud

The recovery in the AUD should find resistance at the 0.733 and 0.75 levels. Longer term support at 0.653. RBA tightening supportive, China a headwind.



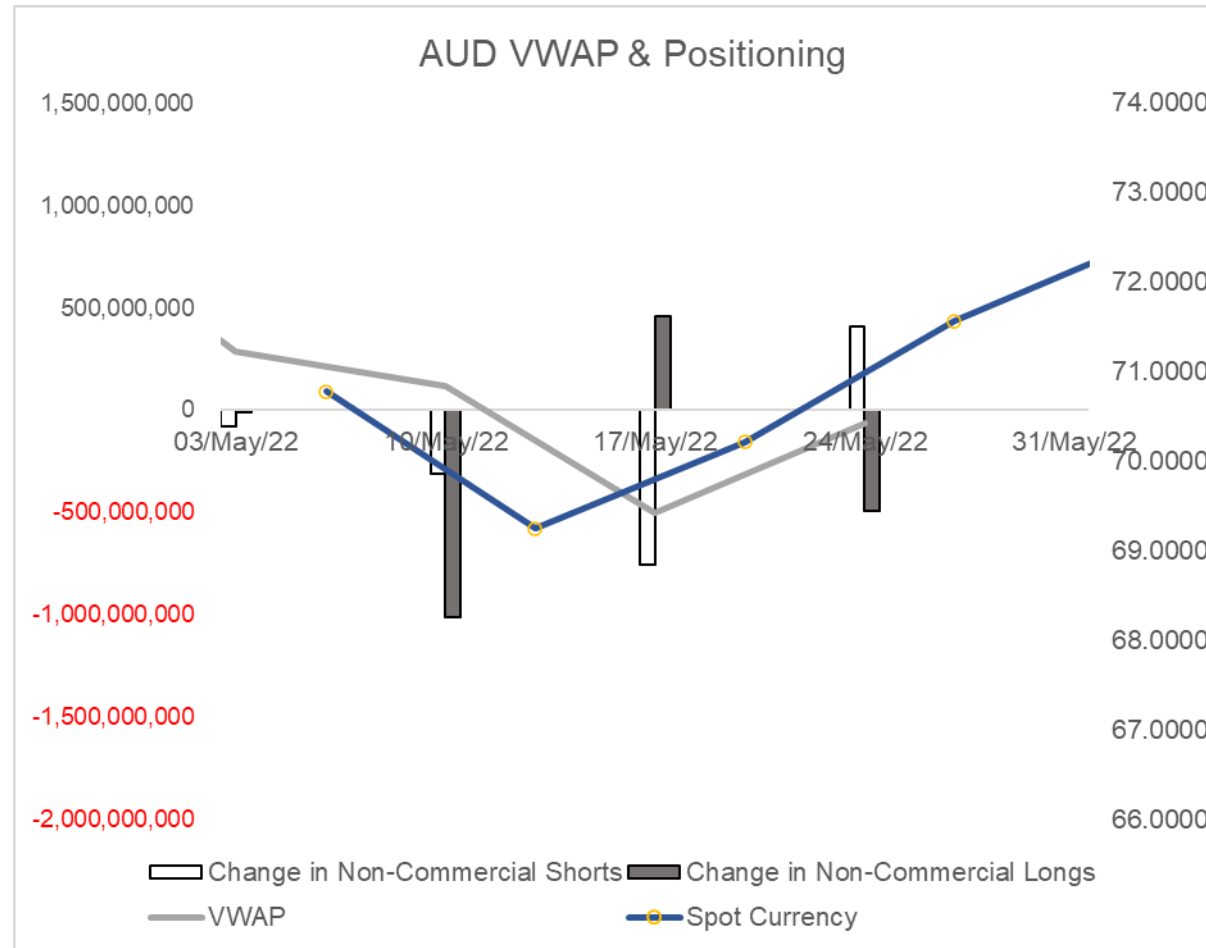
The AUD Hourly Point and Figure

Targets support the 0.733 thesis above. Short term positive for now.



AUD Positioning and VWAP

The change in AUD positioning has come slightly more from shorts overall since the middle of April. Longs have been happy to sell into the rally which doesn't imply a lot of confidence in the upward move in the currency.



Where to From Here?

Gold held key support at the Weekly Ichimoku cloud and is staging a decent recovery. Price performance has been relatively good given the powerful headwinds of yields and the Dollar.

Short term, look to resistance at US\$1890-1895.

It is still notable that Managed Money flows have been net negative, with net Managed Money positioning declining by over 40 % since the end of March. Silver has seen a significant drop in percentage terms, best expressed as a drop from 211 million to -4.30 million since the end of the first quarter.

Next month will see a return of the delta-driven probabilities for gold over given time frames.

Best regards,

Nick Frappell
Global Head Institutional Markets
ABC Refinery

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