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ABC Refinery Monthly Precious Metals Technical Analysis Report

March 2023

Gold - In Brief

Good day and welcome to the (end of) March monthly report, looking at gold, silver, the Dollar Index and the AUD via a more or less technical lens. As always, [The Pod of Gold](#) podcast with Shae Russell is great for a discussion on gold, silver and wider macro themes.

Gold looking forward Gold attracts haven demand and short-covering with a decisive move to a technically bullish configuration after holding support at the base of the Weekly Ichimoku cloud. Gold is advancing through the middle of a trend channel with upper boundary lies at USD 2,045 and lower bound is at USD 1,835 as of 31 March. Expectations of lower policy rates and a secular decline in the Dollar are at the core of the positive case for gold.

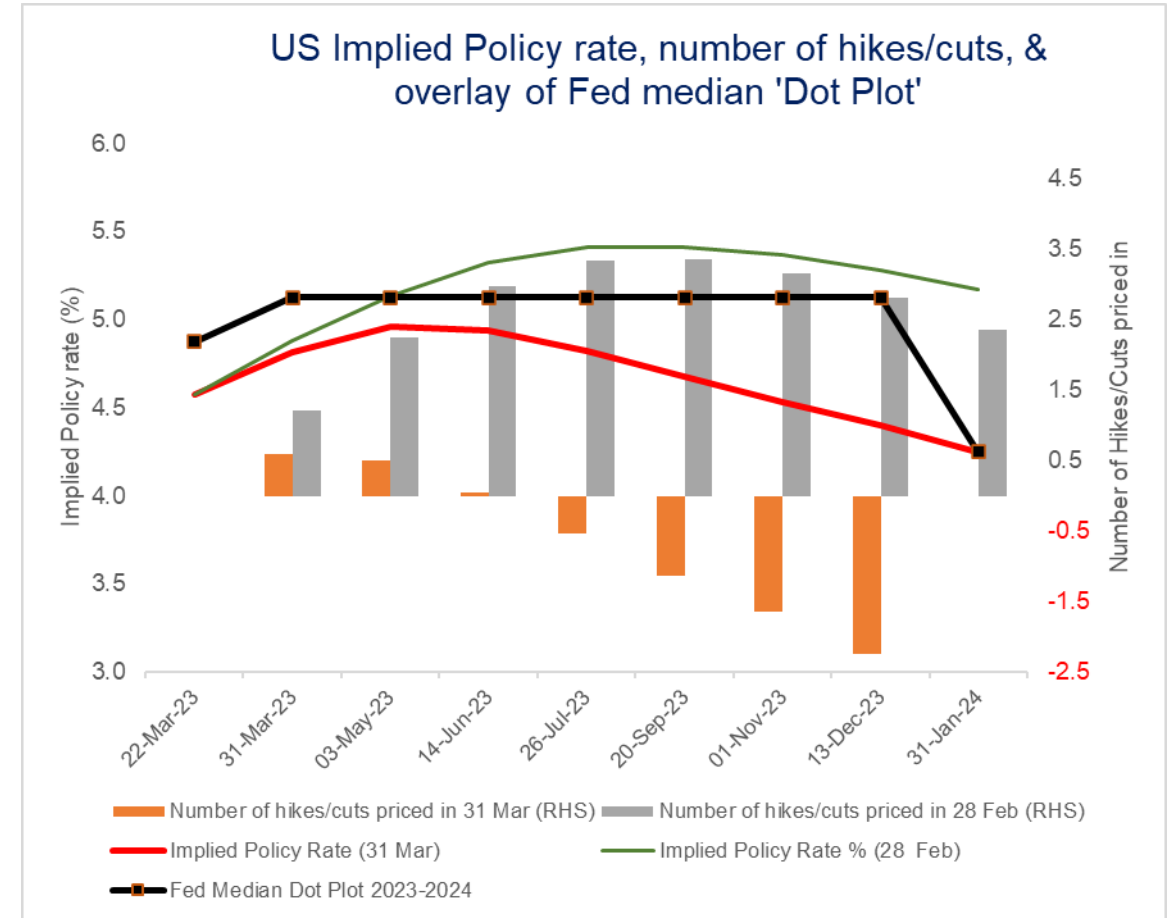
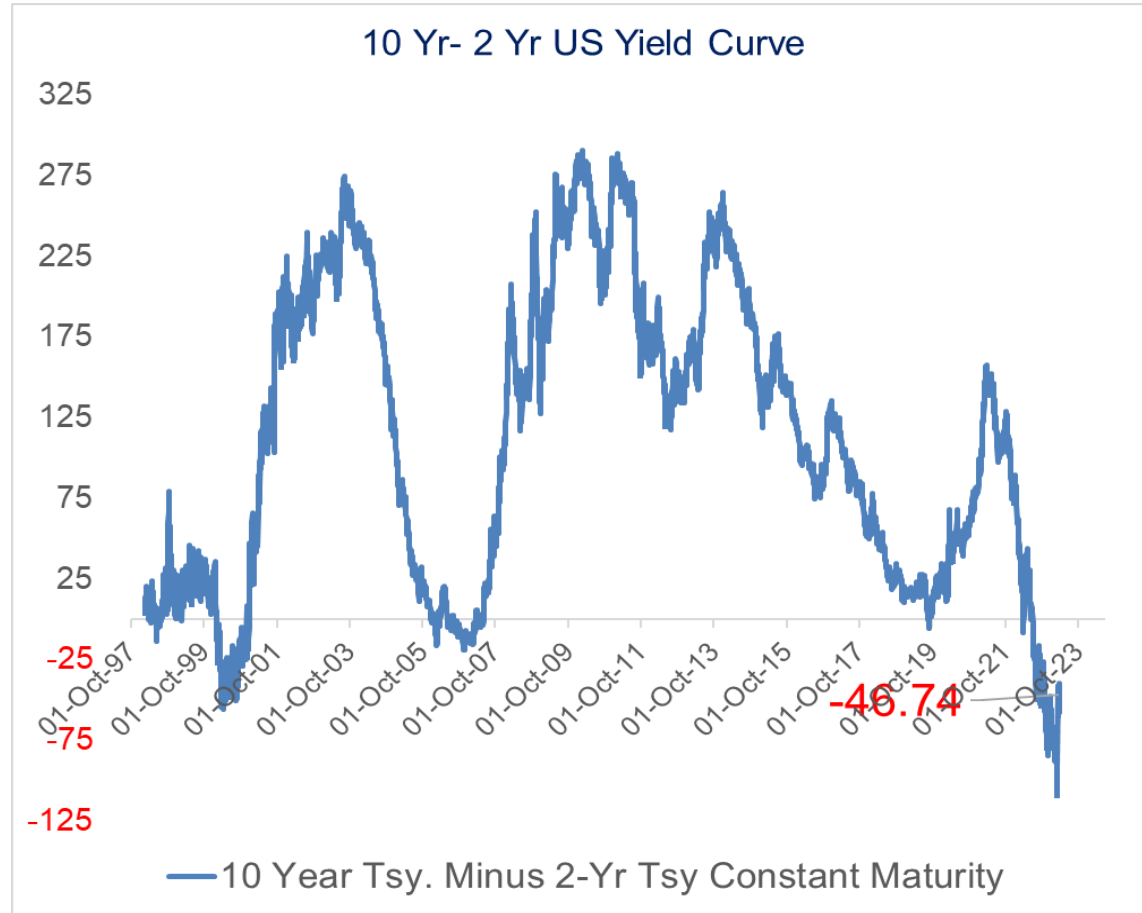
Macro Themes Scarcely a month ago, expectations pointed to a higher terminal rate with some banks calling a move to 6 %. The subsequent bank shock helped propel gold higher. Whilst it is too early to call peak banking stress, the end of the month had a more considered take on how systemic the risks to banks are. Japanese inflation pressures point to an exit from YCC, a potentially tricky manoeuvre: the IMF has warned the BOJ to go pause and step up forward guidance particularly regarding short-term rates. Essentially, another macro regime change that is hiding in plain sight. The Fed faces a policy trilemma balancing inflation, banking stability and growth, as well described by Mohamed El-Erian.

China: China's National People's Congress announced a middlingly ambitious growth target of 5 % for 2023, probably one that won't be a notable stretch, absent a strong decline in overseas demand. March Non-Manufacturing PMI grew to 58.20, the highest number since 2011. Manufacturing PMI was 51.90, into expansionary territory, giving confirmation to high-frequency data that showed a good rebound after the initial re-opening. The all-important property sector managed to slow the pace of decline in February, (after a small rise in January) but it would seem too early to call an end to the slide and the Chair of Greenland Holdings, a substantial developer, averred to a possible 17 % decline in 2023 – a bleak outlook that would feed into the AUD and other APAC currencies.

Summary: a reversal of fortune as assessments of rate pathways changed course massively during the course of the month, giving gold a US\$200 boost.

Money and yields

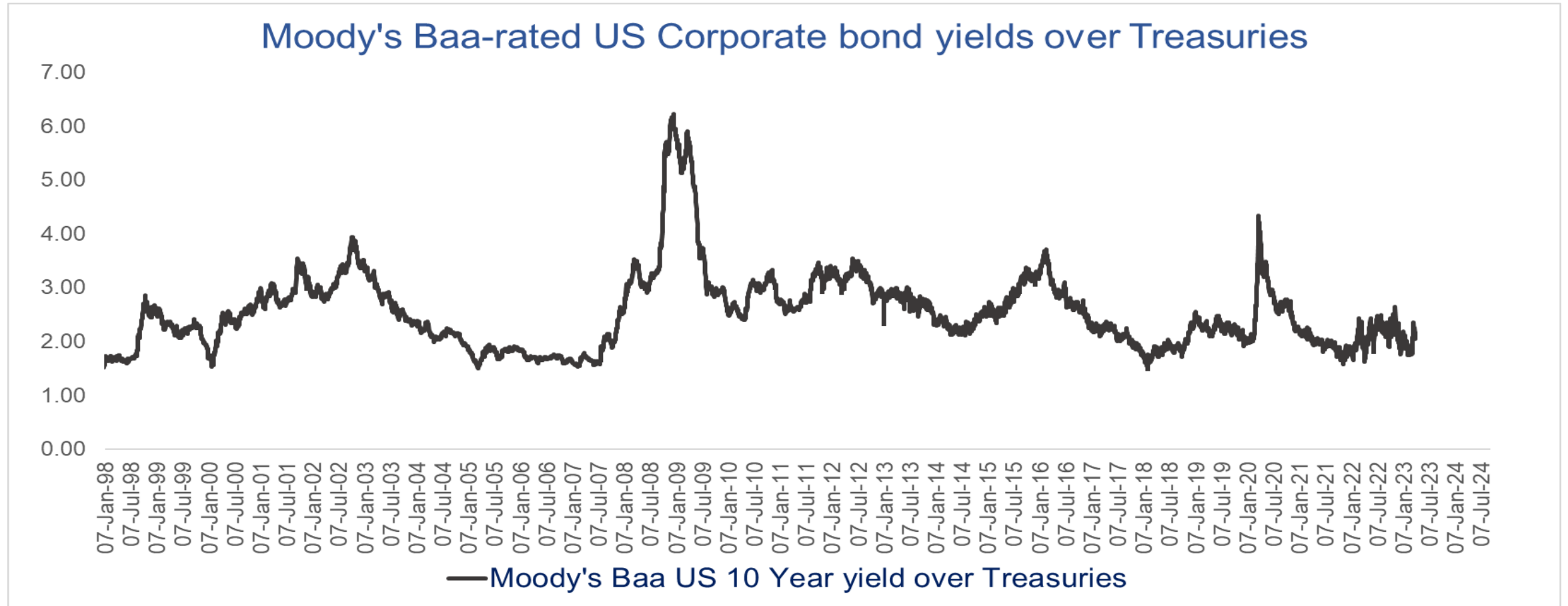
Some dissonance with the Fed as the median 'dot plot' stays higher than the March 31st Futures-based expectations of monetary policy. 2-10 Year constant maturity remains deep in recessionary territory.



Sources: Bloomberg, CME FedWatch, ABC Refinery

Corporate spreads

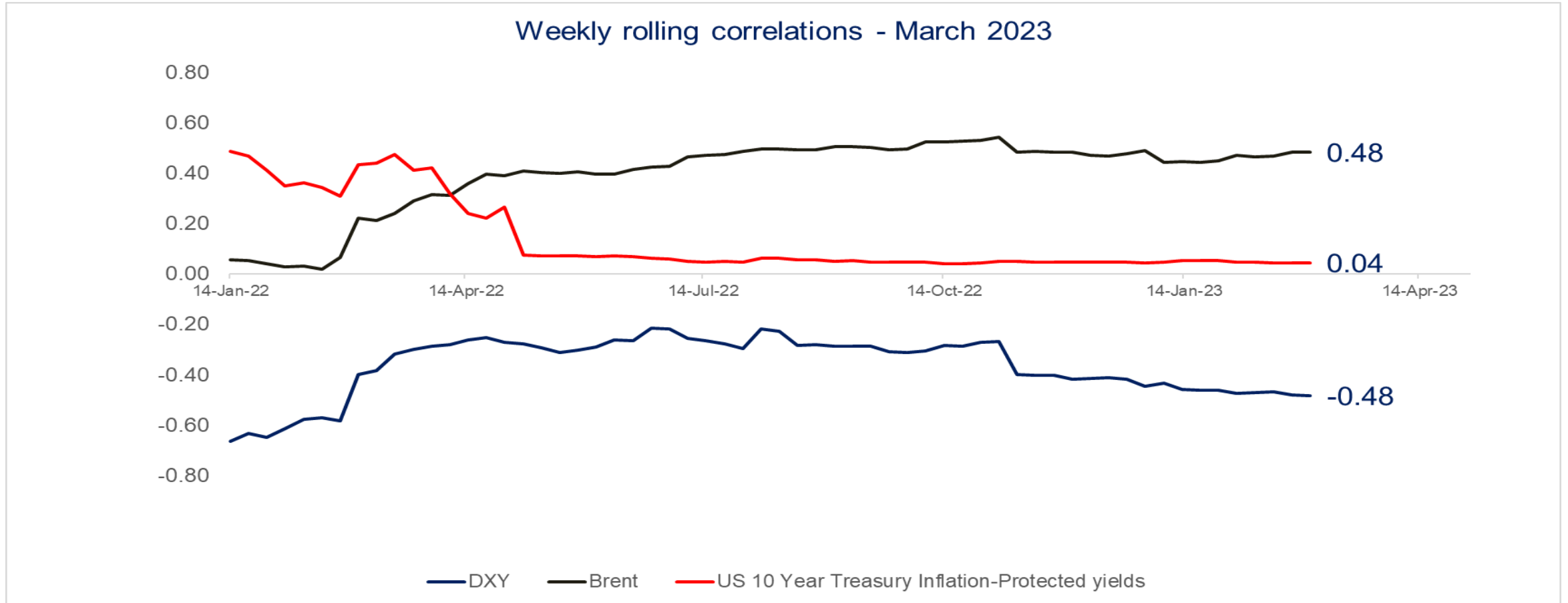
Looking at indicators of market stress via corporate spreads over Treasuries, which includes LTCM, Russia's default, the GFC and Covid, current stress looks relatively subdued.



Sources: Bloomberg, CME FedWatch, ABC Refinery

Gold and key variables

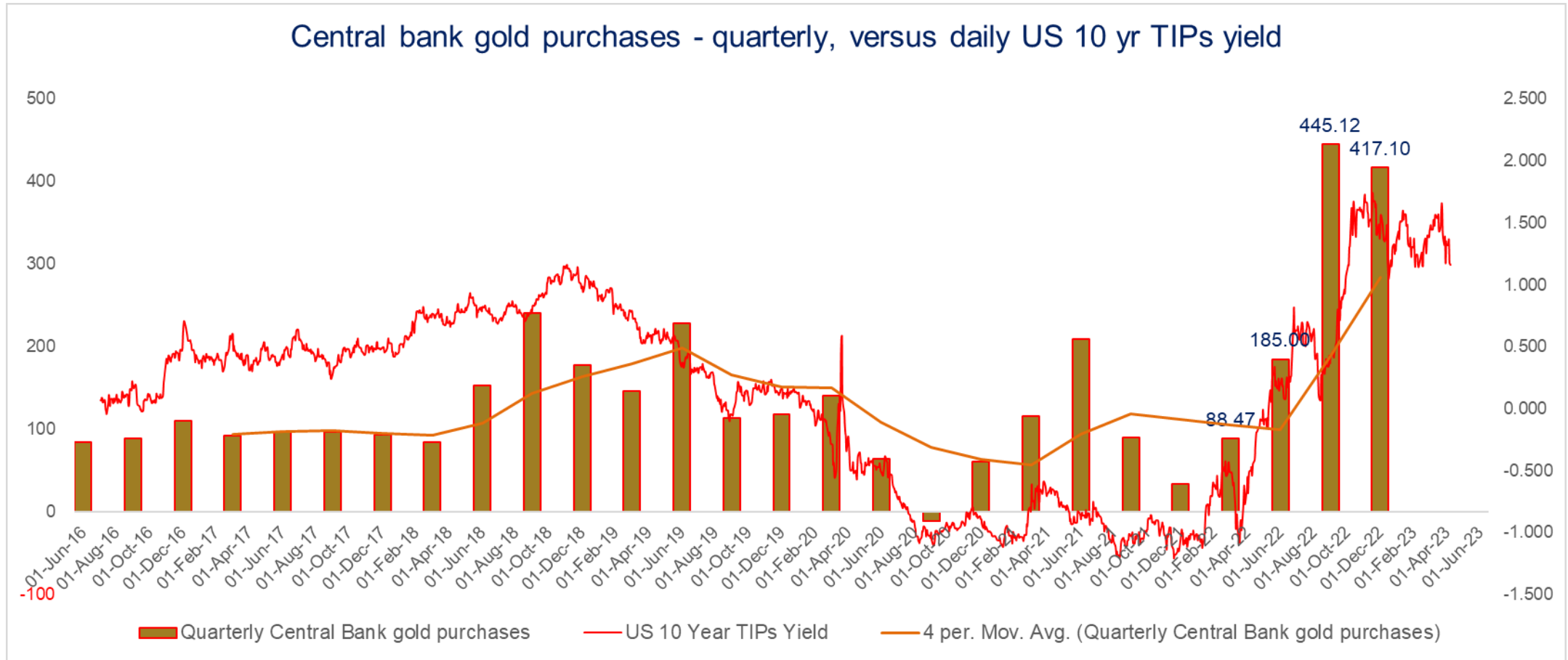
Weekly rolling correlations with gold: The DXY, Crude and US 10 year TIPS.



Source: Bloomberg, ABC Refinery

10-year US Yields (TIPS)

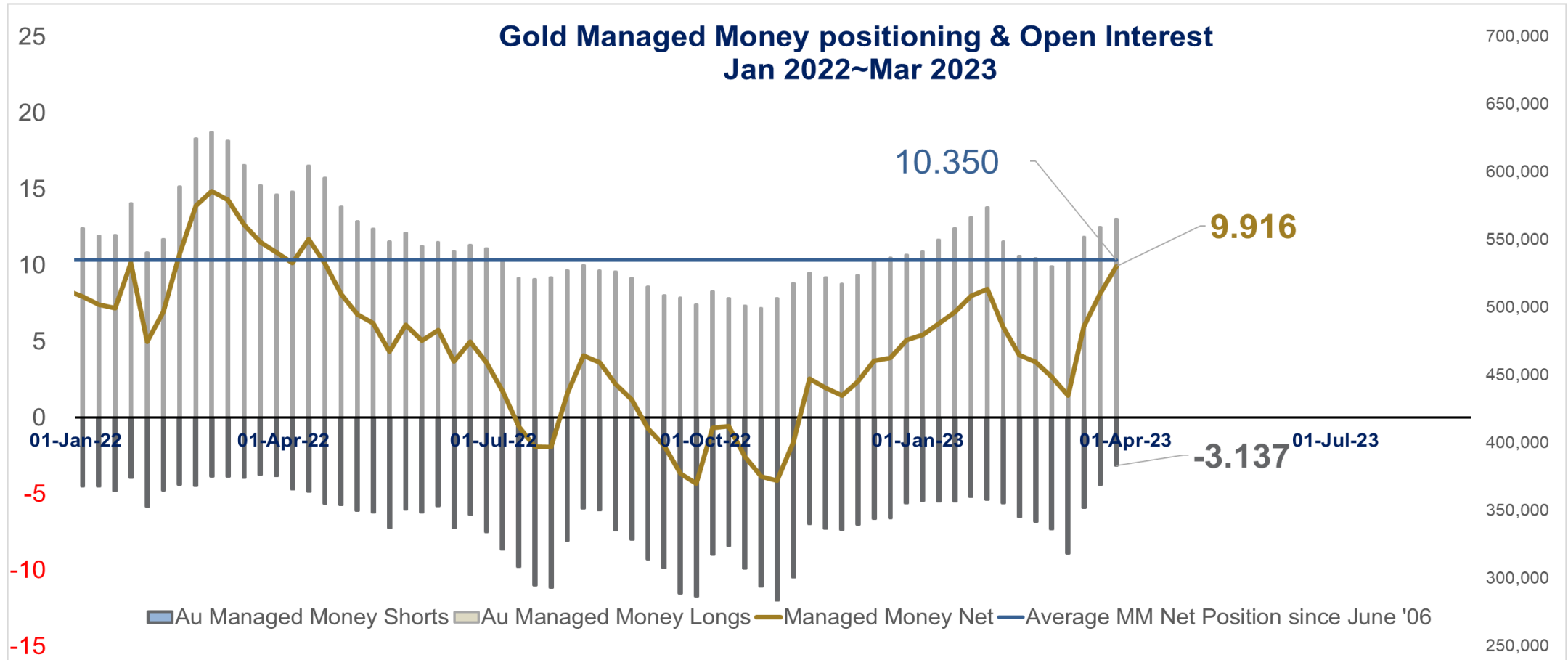
Recently real yields have been a weaker guide to gold price changes. Regressions taken over a shorter sampling period show a flatter line and a diminished R², evidencing a weaker and less reliable relationship in recent times. I suggest that this is a consequence of remarkable Official Sector buying at a time of rising real yields, as shown below.



Source: Bloomberg, WGC, ABC Refinery

Overview of Managed Money Positioning in Gold

Net positioning converging on the June 2006~present average. Gold is still not 'over-invested'.



Source: Bloomberg, CME, ABC Refinery

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

Gold. Short covering and new length in Managed Money almost equivalent. Substantial short-covering in silver since early March.

Volume-weighted Average Price - GC

Published 03 April 2023

Week ending on:	Weekly Change in Managed Money Positions (Futures only)			
	US\$ VWAP	Longs	Shorts	Net change
Tuesday, 28 March 2023	\$1,974.70	544,000	-1,249,100	1,793,100
Tuesday, 21 March 2023	\$1,946.51	653,000	-1,497,800	2,150,800
Tuesday, 14 March 2023	\$1,867.47	1,512,100	-3,020,100	4,532,200
Tuesday, 7 March 2023	\$1,841.07	401,400	1,619,000	-1,217,600
Tuesday, 28 February 2023	\$1,831.95	-528,500	484,600	-1,013,100
		2,582,000	-3,663,400	6,245,400

41% 59%

Gold ETF Change in position	-1,050,703
Total change over period	5,194,697

Volume-weighted Average Price - SI

Published 03 April 2023

Week ending on:	Weekly Change in Managed Money Positions (Futures only)			
	US\$VWAP	Longs	Shorts	Net change
Tuesday, 28 March 2023	\$23.06	6,690,000	-46,100,000	52,790,000
Tuesday, 21 March 2023	\$22.18	-1,815,000	-23,925,000	22,110,000
Tuesday, 14 March 2023	\$20.92	15,705,000	-47,810,000	63,515,000
Tuesday, 7 March 2023	\$20.95	-12,715,000	37,855,000	-50,570,000
Tuesday, 28 February 2023	\$21.06	-12,510,000	49,345,000	-61,855,000
		-4,645,000	-30,635,000	25,990,000

18% 118%

Silver ETF Change in position	-11,236,409
Total change over period	14,753,592

Volume-weighted Average Price - PLA

Published 03 April 2023

Week ending on:	Weekly Change in Managed Money Positions (Futures only)			
	US\$ VWAP	Longs	Shorts	Net change
Tuesday, 28 March 2023	\$984.19	-63,850	-49,950	-13,900
Tuesday, 21 March 2023	\$983.26	-93,700	-51,000	-42,700
Tuesday, 14 March 2023	\$966.96	-29,200	-353,000	323,800
Tuesday, 7 March 2023	\$962.00	69,150	34,700	34,450
Tuesday, 28 February 2023	\$940.41	20,500	-102,650	123,150
		-97,100	-521,900	424,800

23% 123%

Platinum ETF Change in position	25,019
Total change over period	449,819

Volume-weighted Average Price - PAA

Published 03 April 2023

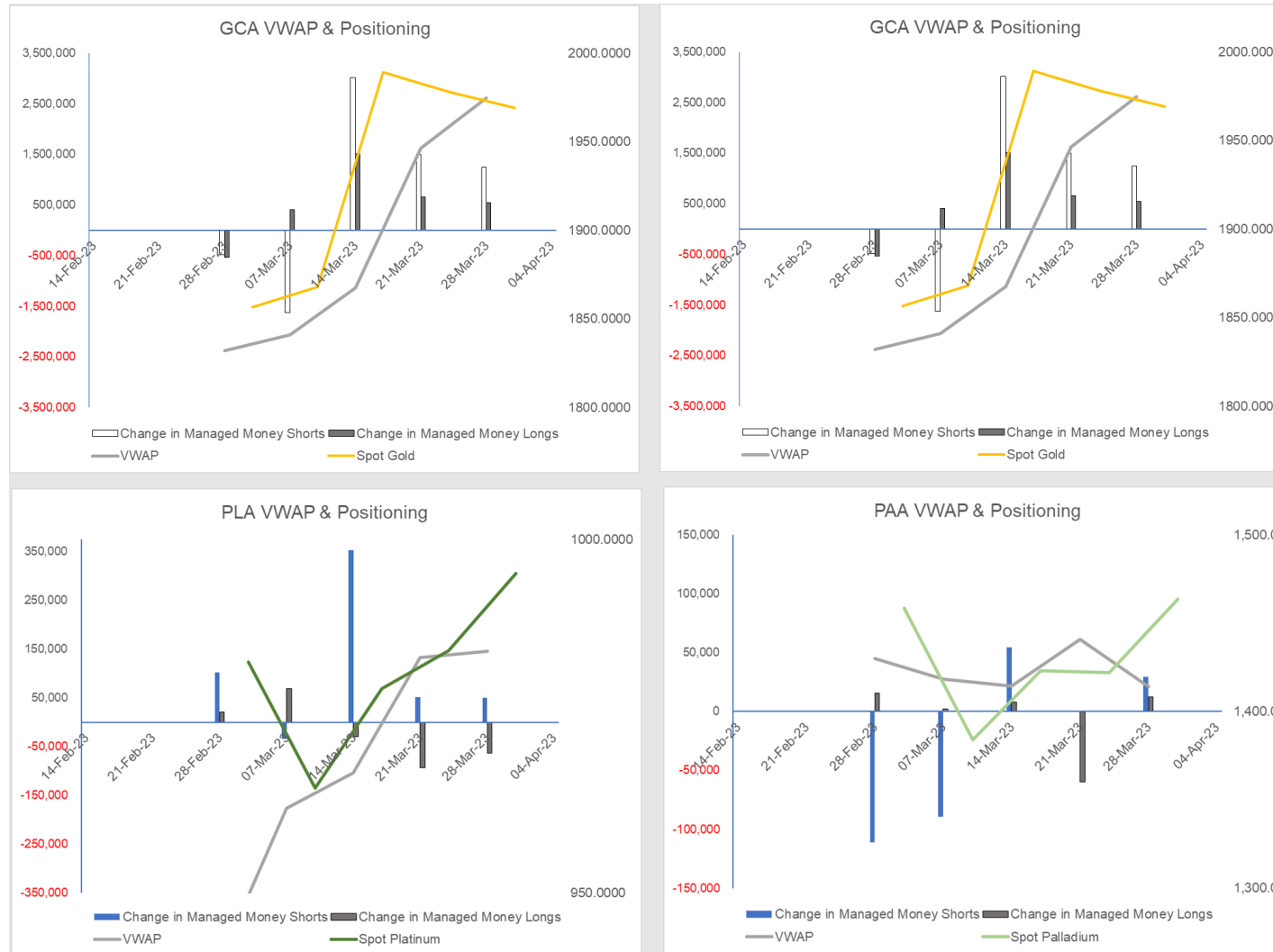
Week ending on:	Weekly Change in Managed Money Positions (Futures only)			
	US\$ VWAP	Longs	Shorts	Net change
Tuesday, 28 March 2023	\$1,414.17	12,200	-29,500	41,700
Tuesday, 21 March 2023	\$1,440.75	-59,800	-300	-59,500
Tuesday, 14 March 2023	\$1,414.35	8,300	-54,600	62,900
Tuesday, 7 March 2023	\$1,418.55	2,300	89,400	-87,100
Tuesday, 28 February 2023	\$1,430.17	15,800	111,200	-95,400
		-21,200	116,200	-137,400

15% 85%

Palladium ETF Change in position	39,957
Total change over period	-97,443

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

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



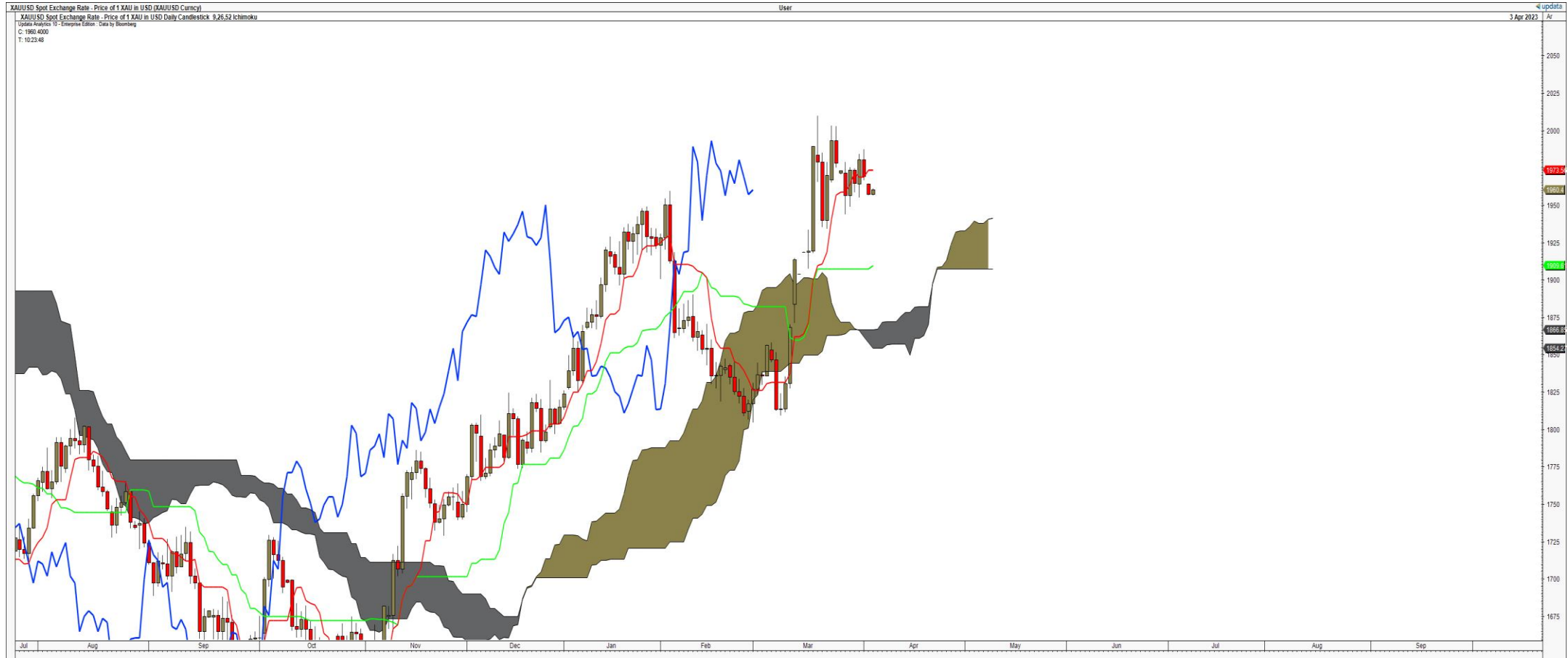
Weekly Ichimoku Cloud Chart

Bullish configuration above the Weekly Cloud top. Support at the Weekly Turning Line which currently overlaps the 50 % retracement of the March upmove. Deeper support at USD1,813 from the Weekly Standard (Base) Line.



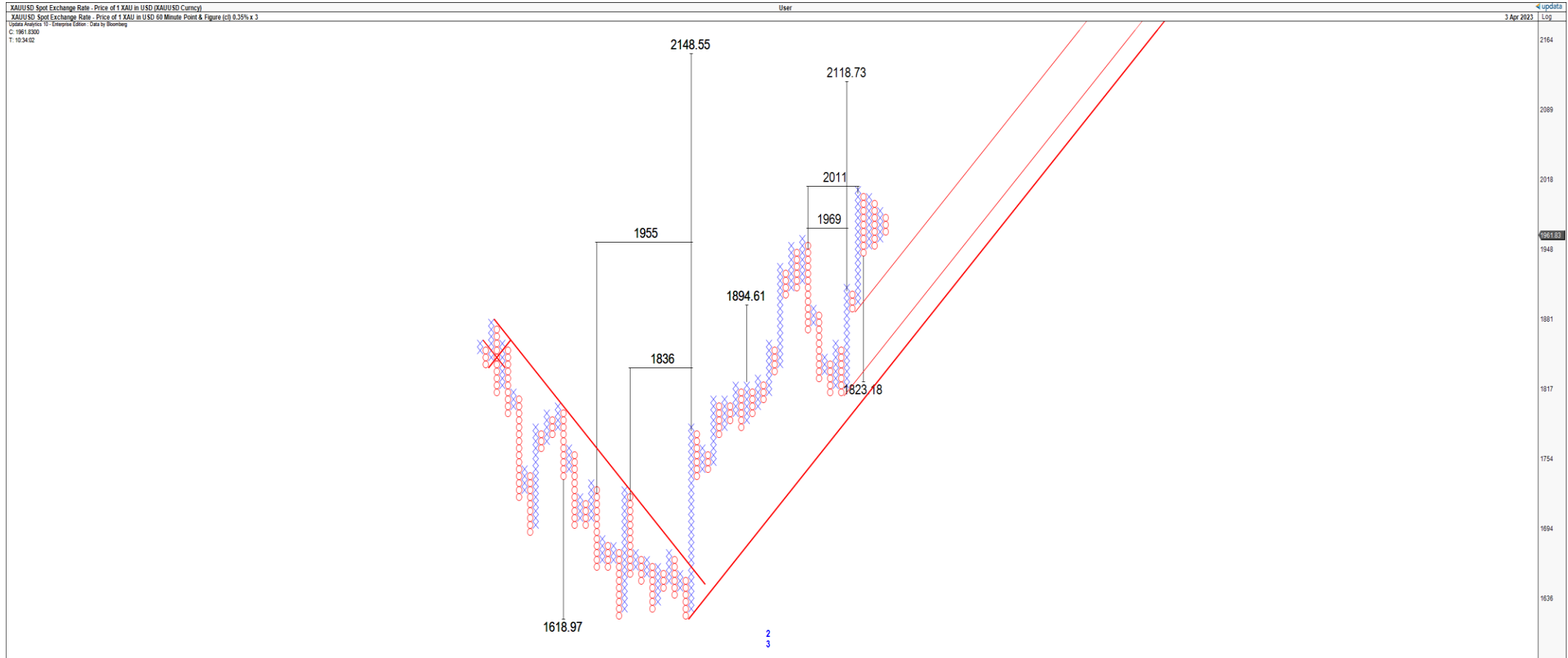
Daily Ichimoku Cloud Chart

An indeterminate chop-fest since the initial run-up. Support at USD1,909. Gold awaits more clarity on the bank sector and rates..



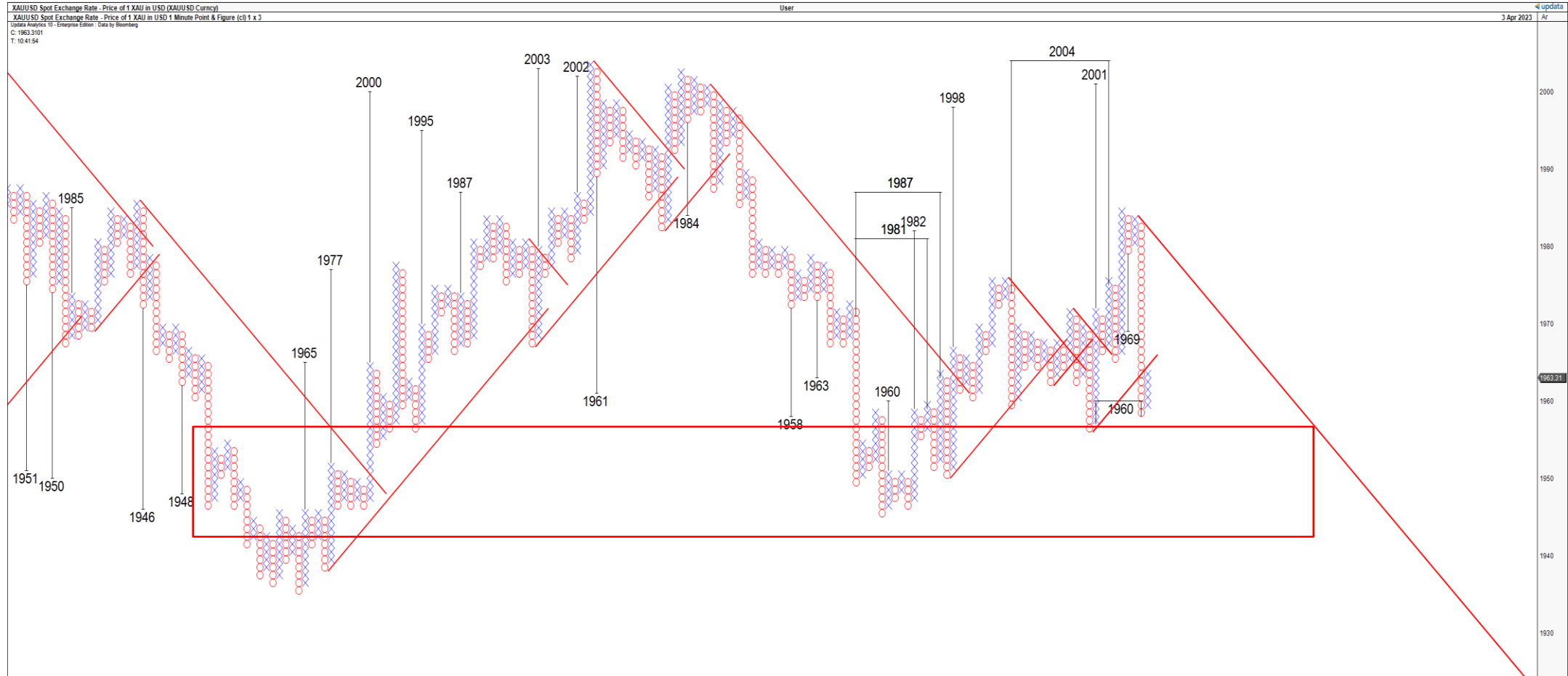
Gold Hourly Point and Figure – Medium Term

It's been a while since the last report, so many of the newer targets have been created since November of last year. Gold stopped right at the USD2,011 target and gave back some energy. The target to USD2,119 would be negated on an hourly close below USD1,880. Minor support within the bullish set-up at US\$1927-1934.



Gold Point and Figure – Shorter Term

Facing after repeatedly hitting the 2002-3 targets, gold retreats towards former support levels around the 1950's.



Gold in AUD via Weekly Ichimoku Cloud

XAUAUD: Gold in AUD moved back into the Weekly Cloud but fails to break higher as the AUD stages a gentle recovery. Support at AUD 2565-2575.



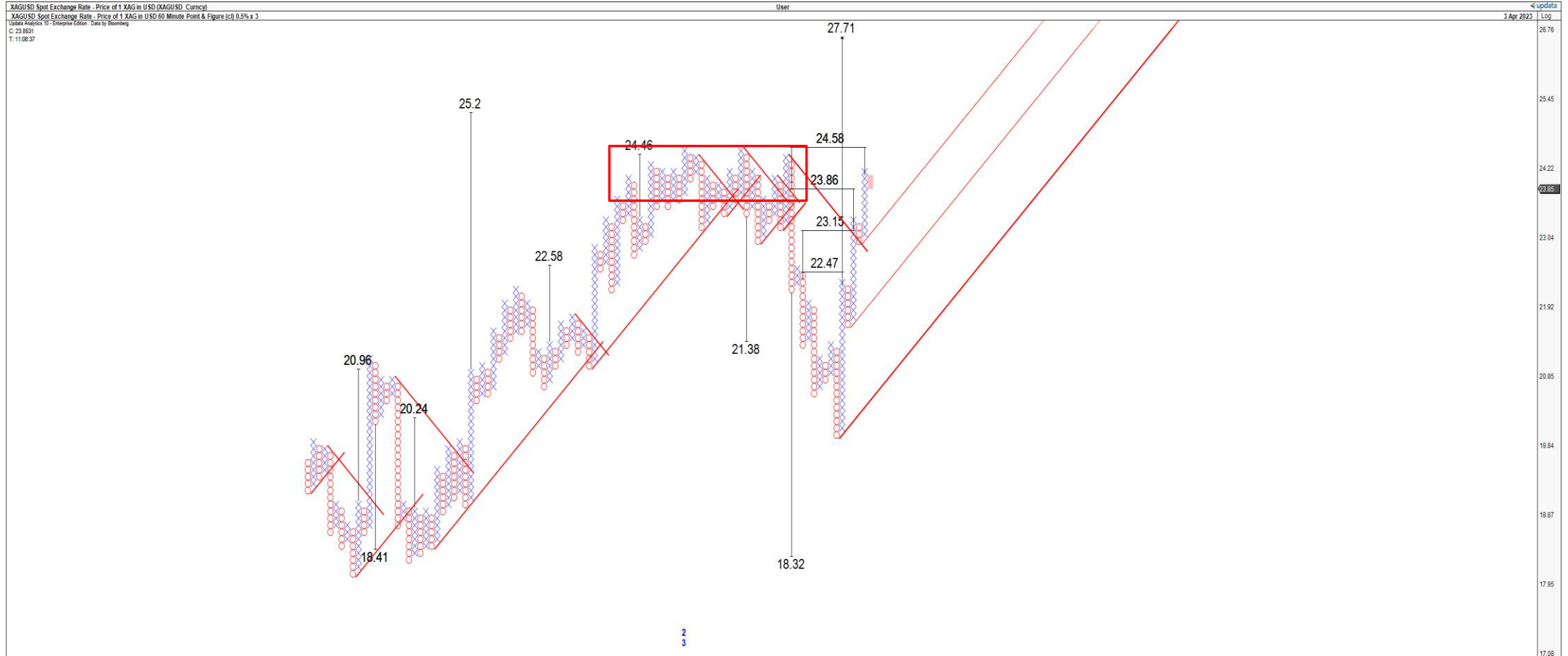
Silver in USD via Weekly Ichimoku Cloud

Silver – bullish configuration above the cloud, with support at USD22.25, USD21.36. Key resistance at USD27.00



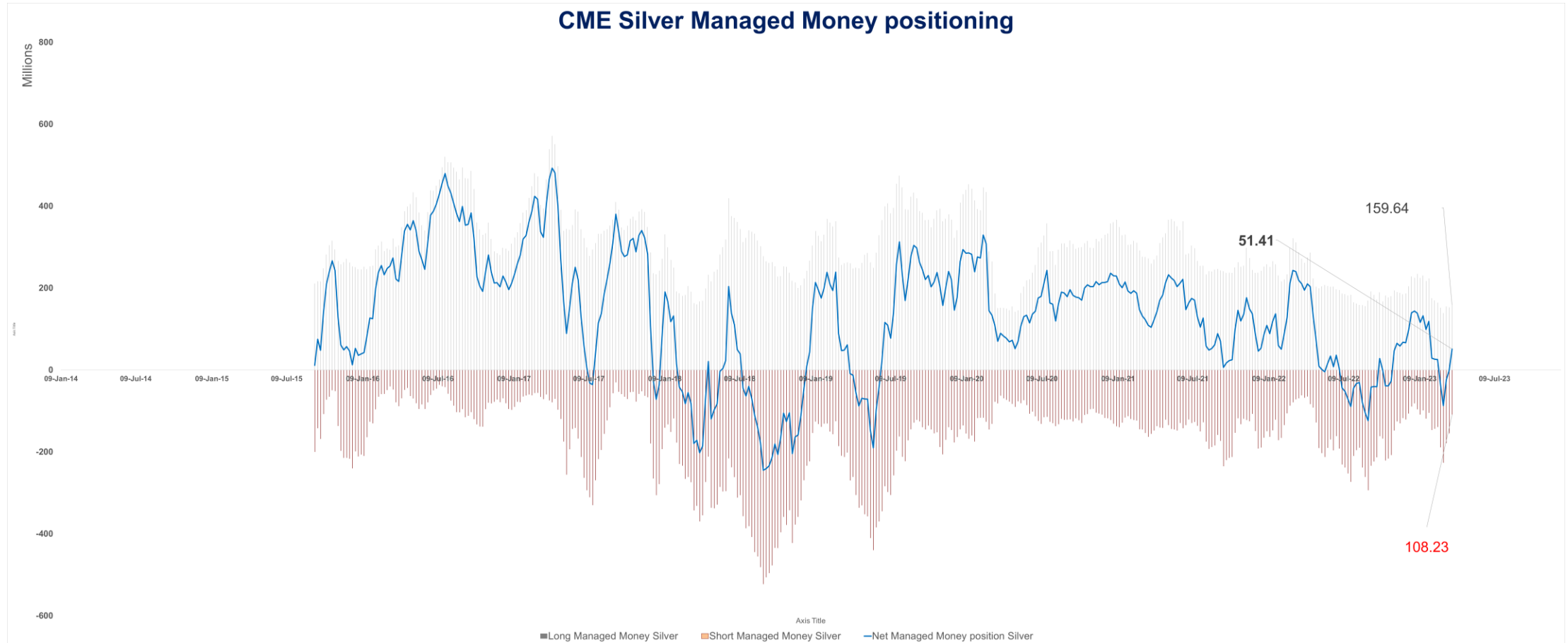
Silver in USD – Medium term via Hourly Point and Figure

Constructive looking with plausible targets to the upside. Silver needs to break through and above the congestion area to the left in the boxed zone.



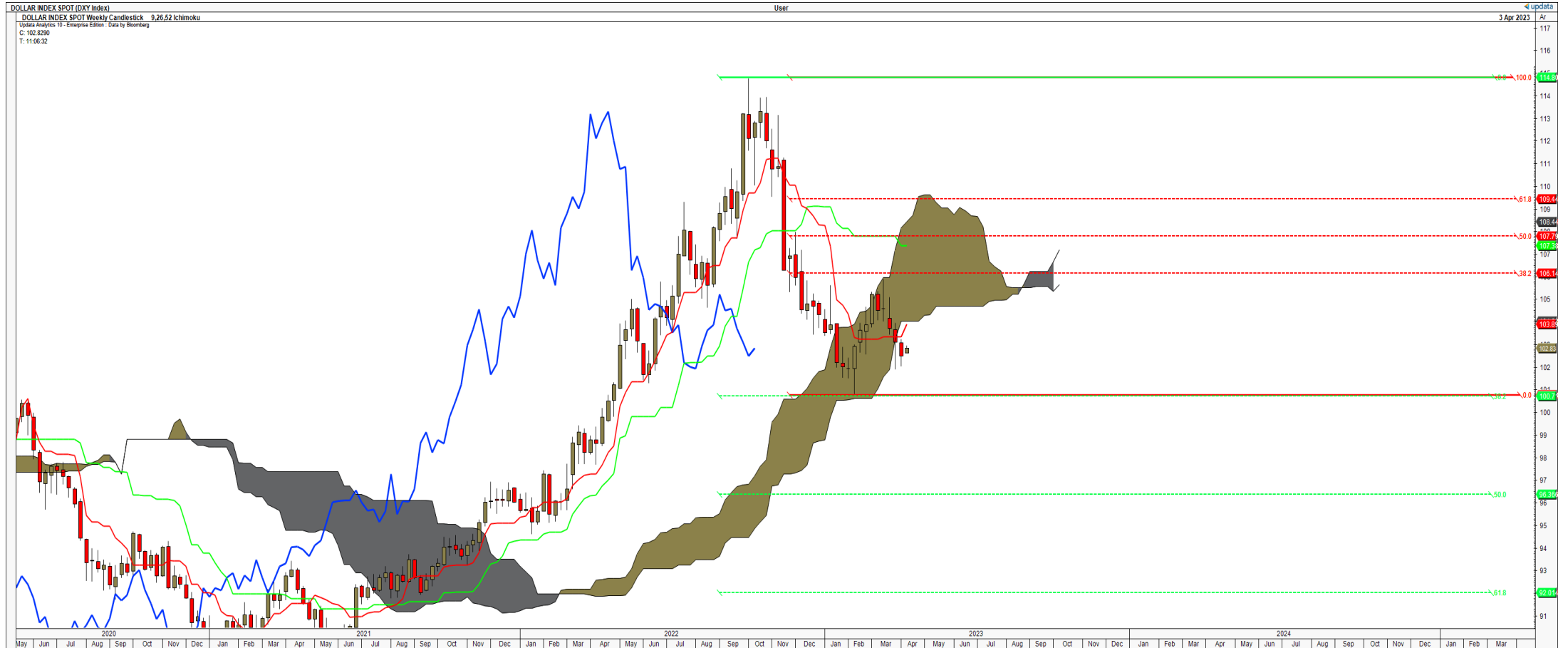
Overview of Managed Money Positioning in Silver (Futures only)

Net positioning turns positive again (+51.41 mm Tozs) after 118 million Tozs of short-covering by the Managed Money sector in mid to late March.



The Dollar Index - DXY – via Weekly Ichimoku cloud

The Dollar Index found support at the Weekly Cloud base and the 38.20 % retracement of the 2021-2022 move, before recovering to peak out at the Weekly Cloud top and the 38.20 % retracement of the move from the Sept '22 high to the Feb '23 low. Now that the DXY has moved below the Weekly Cloud base, look to the 60 minute chart below for targets.



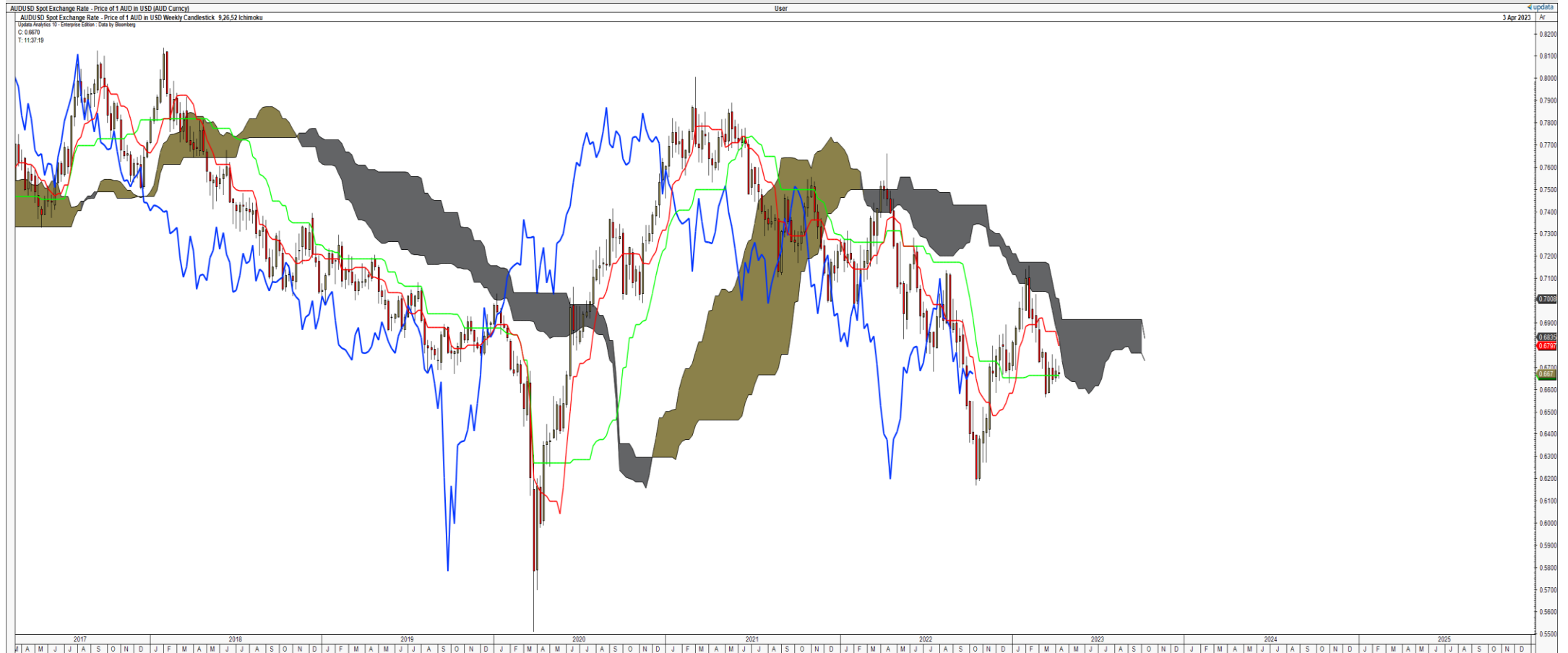
The Dollar Index – DXY – via Hourly Point and Figure

The downtrend in the DXY suggests a move that bottoms out in the medium term around 100. The key level for this chart is 100.96 as a drop in price below that level challenges the big target back to 110.05.



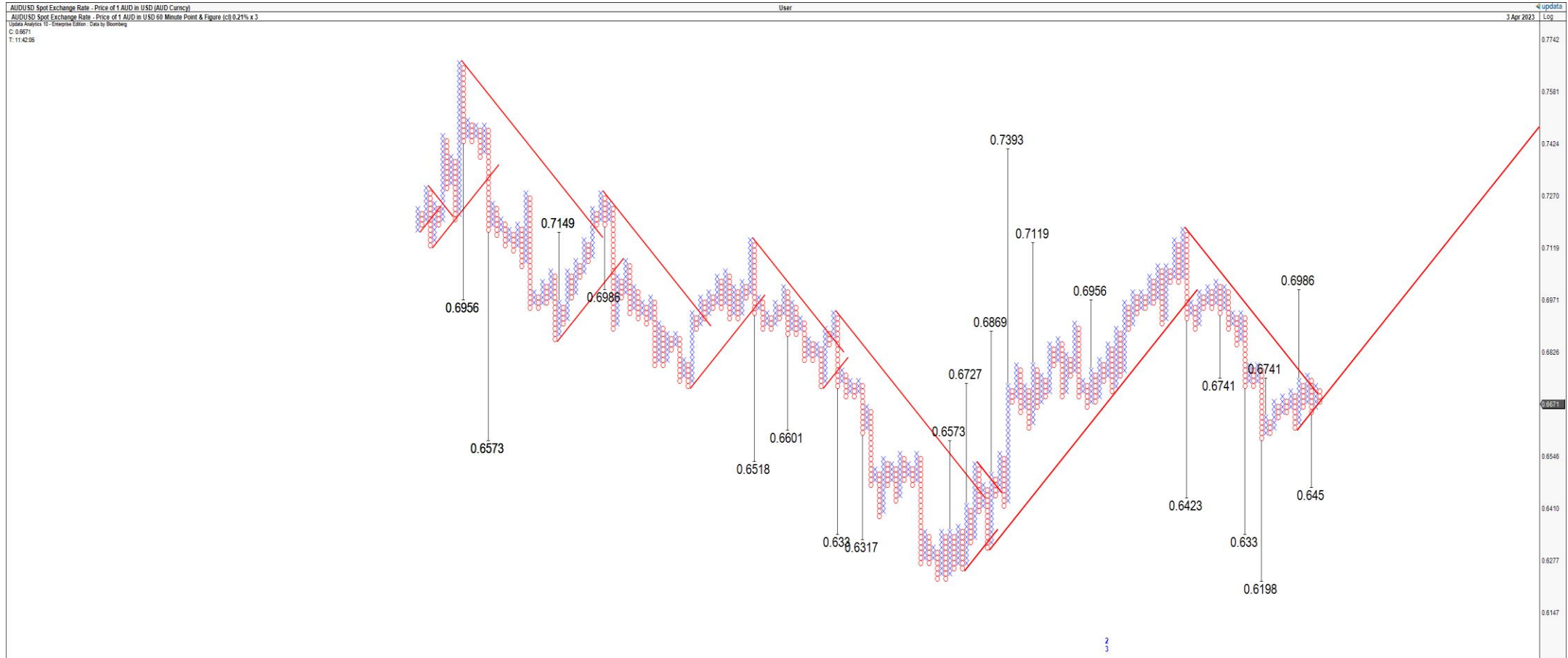
AUD via Weekly Ichimoku Cloud

The strengthening phase in the AUD was thwarted by hitting the overhead Weekly cloud, and the price has since rolled down the cloud top resistance shown below. On the bullish side – is that a reverse 'Head and Shoulders' pattern forming? Some kind of prize or at least a free drink to anyone who responds, indicating that you have read this far at least...



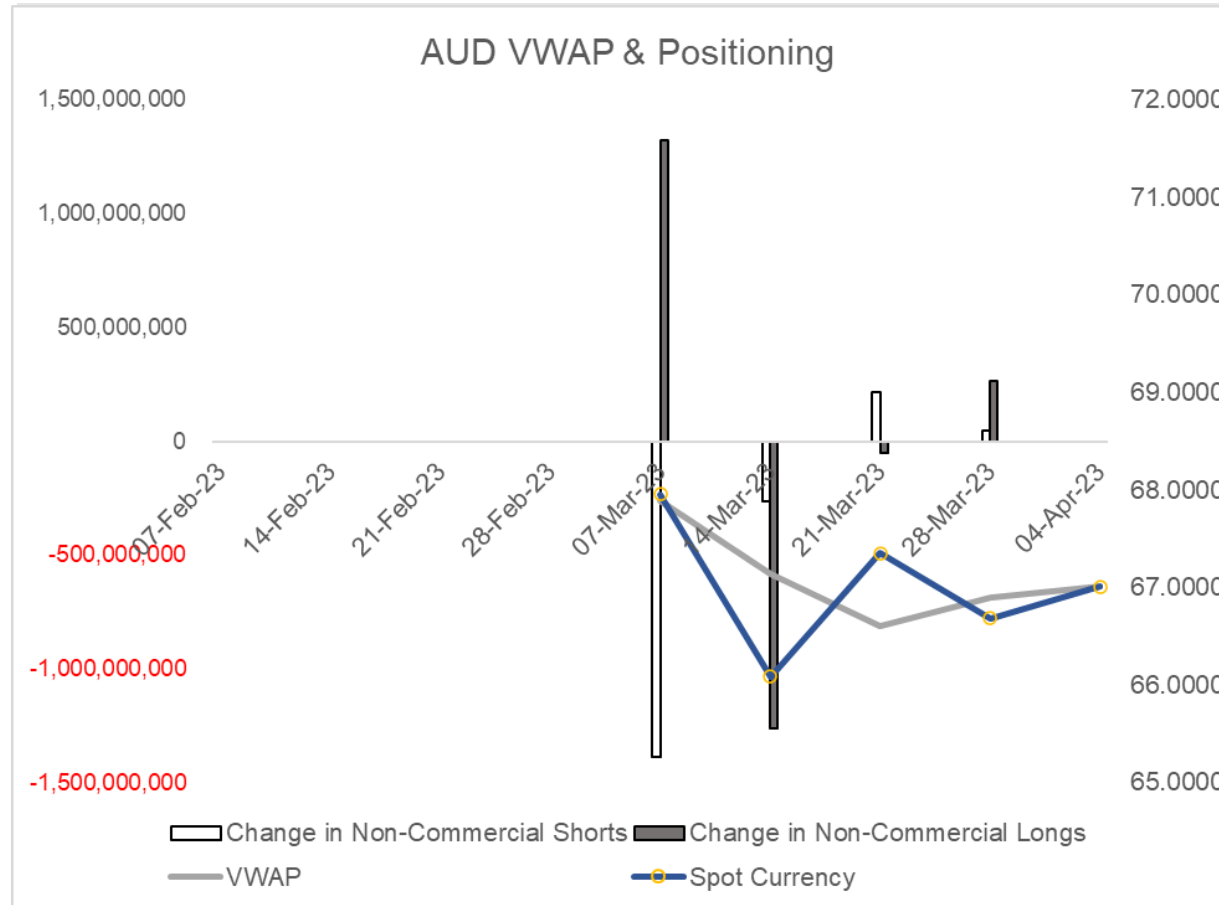
The AUD Hourly Point and Figure

Indicating the chance of some AUD strengthening despite plenty of active downside targets.



AUD Positioning and VWAP

Long liquidation took place after a round of buying in the week ending the 7th of March (you can see that shorts established bearish positions over the same period, as views on the AUD diverged.) Non-commercial longs then sold. Breaking down the numbers, Asset Manager Longs declined very sharply unto mid-March, offset by Leveraged Fund buying that likewise reversed in the week ending the 21st.



Where to from here?

Events in March challenged the likely pathway of monetary rate setting, with widespread expectations of easing and an earlier onset of rate cuts – the exception being Japan, which is still expected to exit ‘Yield Curve Control’ sometime in the latter half of 2023.

The ‘Bank shock’ has receded slightly in terms of outright fear of systemic risk, however the stage appears set for a tightening in financial conditions and the inverted US yield curve is flashing red as a recession indicator. It has been doing so for quite a while, and whilst not absolutely challenging its use as an indicator, is there a degree of confounding via Fed actions?

Gold is experiencing both (expected) policy easing and safe-haven tailwinds, however core inflation pressures have not abated and there should be a degree of caution around the recent sudden shift in rates expectations that reflects both heightened fear and concomitant reduction in liquidity – the downside risk for gold is real but reflects an opportunity within a medium-term outlook of Dollar weakness and risk aversion.

Best regards,

Nick Frappell - Global Head Institutional Markets, ABC Refinery

Resistance		
\$2,172.00	Next as-yet unachieved target on the Daily 2% Point and Figure	
\$2,076.00	2022 high	
\$2,011.00	March high	
Support		
\$1,907.00	Weekly Ichimoku Turning (Conv.) line, 50 % retracement Mar. upmove	
\$1,621.00	Long term trend line support	
\$1,599.00	Monthly Ichimoku cloud base	
Targets		
Upside		Probability
\$2,395.00	Basis 1 % Daily Point and figure (12 months)	26.00%
\$2,190.00	Basis 1 % Daily Point and figure (12 months)	40.00%
\$2,118.00	Basis Hourly Point and figure (1 month)	30.00%
Targets		
Downside		Probability
\$1,823.00	Basis 0.35 % Hourly Point and figure (1 month)	5.00%
\$1,515.00	Basis 1 % Daily Point and figure (12 months)	4.50%
\$1,428.00	Basis 1 % Daily Point and figure (12 months)	3.00%
All target probabilities basis spot: for 1 year (or shorter as indicated) and created by solving for option delta on the Bloomberg OVML function for XAUUSD		\$1,958.00

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