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ABC Refinery Monthly Precious Metals Technical Analysis Report

May 2023

Gold - In Brief

Good day and welcome to the May 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 Gold moved to just below the critical US\$2,075 level on fears of an unresolved Debt ceiling crisis in the US. Significant length and the sense that resolution was at hand drove gold to test support within the Daily Ichimoku cloud, with a reduction in Open interest of about 4 % over the last week of trading. (This probably understates the degree of long liquidation.) Despite gold expected to be a good hedge over debt ceiling uncertainty, Dollar strength is the dominant feature here.

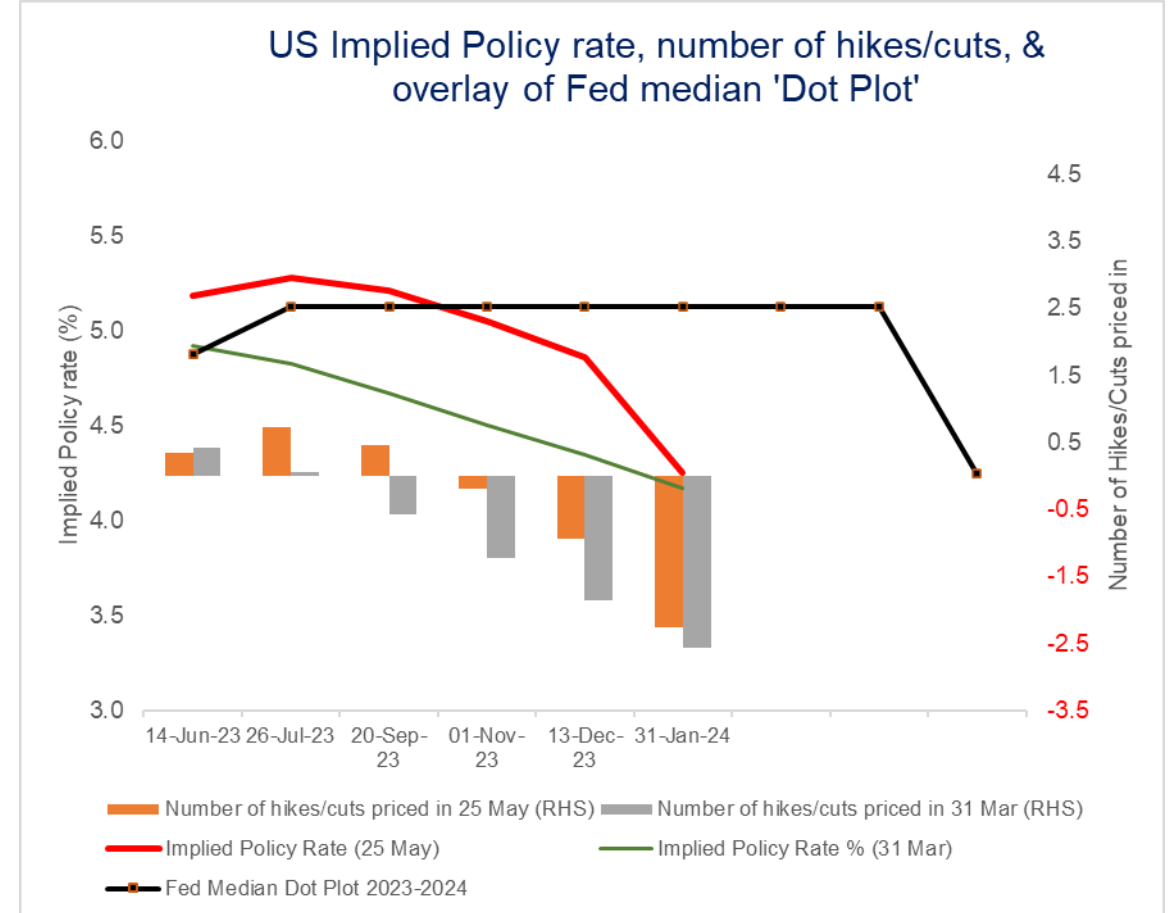
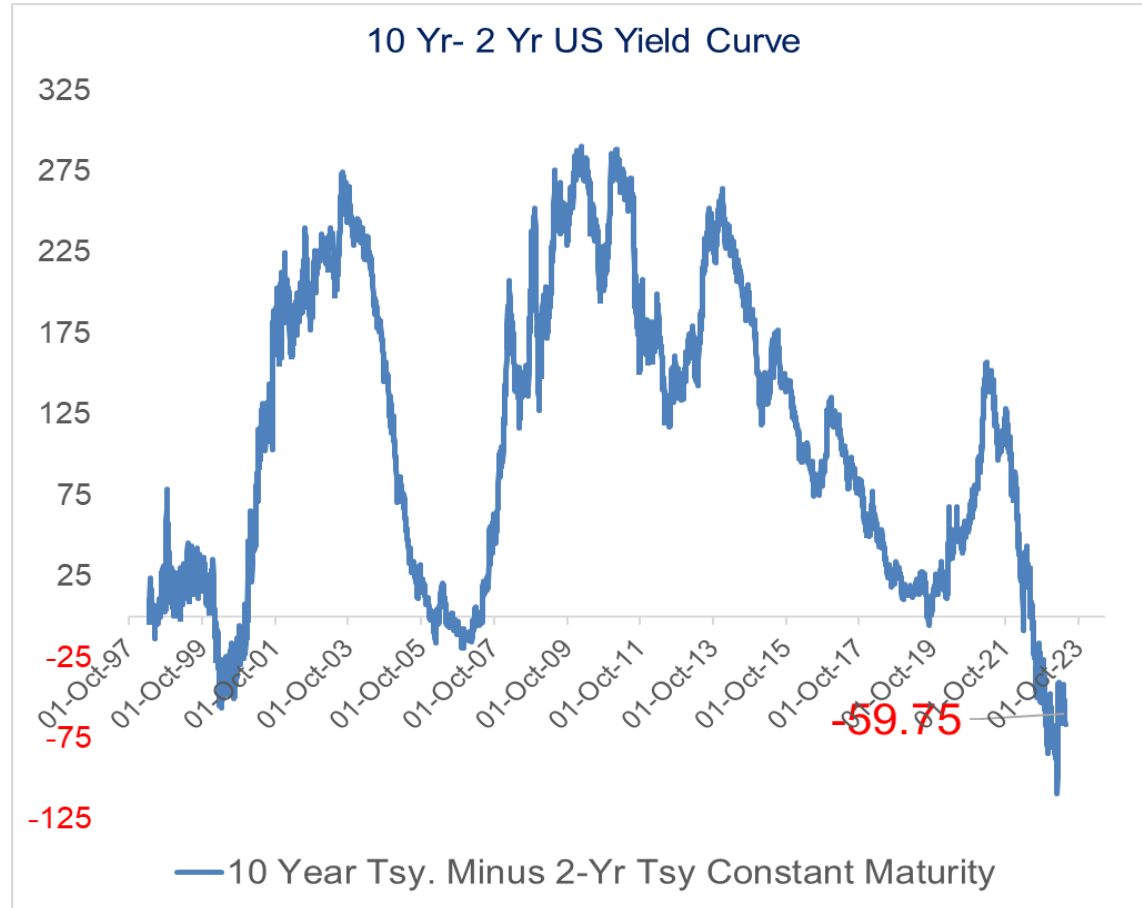
Macro Themes The Debt ceiling slouches fitfully towards Bethlehem, taking gold lower with it as markets sense a slightly more pragmatic approach from Congress. Currently, some analysis models a 1 in 4 chance of hitting the ceiling without an agreement in place. Fitch has placed the United States Long-Term FX Issuer Default Rating (currently 'AAA') on a Rating Watch Negative.' T-bills maturing around the 'X' date are yielding up to 7 % in a display of stress over the pace of negotiations. The May FOMC meeting minutes indicate scope for a pause given concerns over worsening financial conditions, but with a tightening bias. Japanese 10-year break-even inflation rises to 0.953 % (with 5 year BE currently at 1.43 %) with no movement to end YCC on the near-term horizon, which explains some of the Yen's weak behaviour.

China: High-frequency data pointed to post-reopening growth and a return to 'economic normality': traffic congestion in the 100 major cities exceeding 2019 levels by 2 % by the beginning of March, domestic flights reached 2019 levels in the same period. Subsequent data has been much more mixed: Chinese Manufacturing PMI moved into contractionary territory (49.50) in April. Services PMI remains elevated but weakened in April. Chinese CPI weak, producer prices are deflating, and Q1 corporate profits are around one quarter of the profit levels consistent with the 5 % growth target in 2023. [Ruchir Sharma, Rockefeller Capital](#) Once again, the interrelated themes of 'Property' and Local Government Financing Vehicles continue to be a concern and a likely drag on growth. A rising wave of Covid infections is expected to grow to 65 million by the end of next month, is likely to depress consumer activity in Q2.

Summary: Gold's attempt on the key USD2,075 level faded near trend channel resistance as recently-arrived longs grew stale – helped later by signs of movement towards resolution of a key macro risk, the US debt ceiling. That remains a risk even if agreement is reached, owing to timing concerns. Long term upside targets remain in place, but recent price action has created targets down to the low USD1,900 levels. Short-term, USD1950 and USD1984 remain very important levels, with gold probing downside support today.

Money and yields

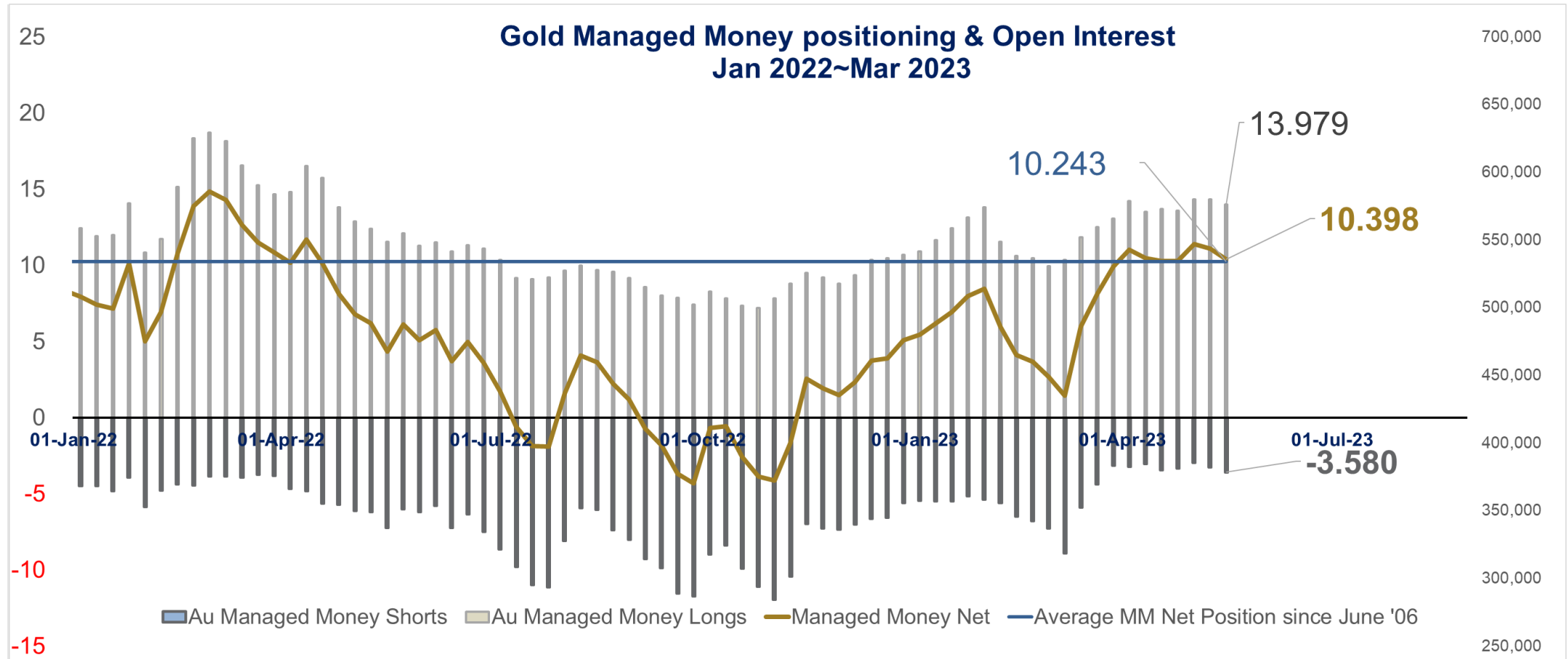
Still some dissonance with the Fed as the median 'dot plot' stays higher than the May 25th Futures-based expectations of monetary policy. May expectations for 2023 are significantly higher than March but ultimately converge in 2024. 2-10 Year constant maturity remains deep in recessionary territory.



Sources: Bloomberg, CME FedWatch, ABC Refinery

Overview of Managed Money Positioning in Gold

Net positioning lowers very slightly to the long-run average (June 2006~present). Gold not overly long, but recent longs caught in the price slide.



Source: Bloomberg, CME, ABC Refinery

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

Gold. New shorts outweigh Managed Money buying. Decent short-selling in silver from the Managed Money sector.

Volume-weighted Average Price - GC

Published 25 May 2023

Week ending on:	Weekly Change in Managed Money Positions (Futures only)			
	US\$ VWAP	Longs	Shorts	Net change
Tuesday, 16 May 2023	\$2,025.53	-367,700	332,600	-700,300
Tuesday, 9 May 2023	\$2,032.58	27,200	307,600	-280,400
Tuesday, 2 May 2023	\$2,002.37	721,200	-377,500	1,098,700
Tuesday, 25 April 2023	\$2,002.97	-119,100	-129,800	10,700
Tuesday, 18 April 2023	\$2,027.05	215,500	406,500	-191,000
		477,100	539,400	-62,300

766% 866%

Gold ETF Change in position	540,682
Total change over period	478,382

Volume-weighted Average Price - SI

Published 25 May 2023

Week ending on:	Weekly Change in Managed Money Positions (Futures only)			
	US\$VWAP	Longs	Shorts	Net change
Tuesday, 16 May 2023	\$24.81	-55,400,000	7,845,000	-63,245,000
Tuesday, 9 May 2023	\$25.75	6,210,000	7,335,000	-1,125,000
Tuesday, 2 May 2023	\$25.22	7,990,000	280,000	7,710,000
Tuesday, 25 April 2023	\$25.19	21,590,000	295,000	21,295,000
Tuesday, 18 April 2023	\$25.52	31,480,000	21,365,000	10,115,000
		11,870,000	37,120,000	-25,250,000

47% 147%

Silver ETF Change in position	1,866,810
Total change over period	-23,383,190

Volume-weighted Average Price - PLA

Published 25 May 2023

Week ending on:	Weekly Change in Managed Money Positions (Futures only)			
	US\$ VWAP	Longs	Shorts	Net change
Tuesday, 16 May 2023	\$1,094.76	-42,800	76,750	-119,550
Tuesday, 9 May 2023	\$1,072.26	33,400	-17,600	51,000
Tuesday, 2 May 2023	\$1,088.54	-32,450	145,500	-177,950
Tuesday, 25 April 2023	\$1,104.02	289,550	-30,900	320,450
Tuesday, 18 April 2023	\$1,052.02	286,600	-336,200	622,800
		534,300	-162,450	696,750

77% 23%

Platinum ETF Change in position	209,980
Total change over period	906,730

Volume-weighted Average Price - PAA

Published 25 May 2023

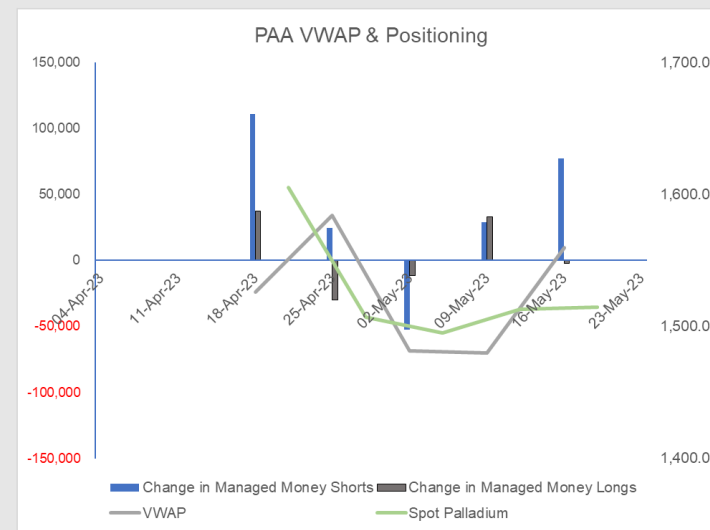
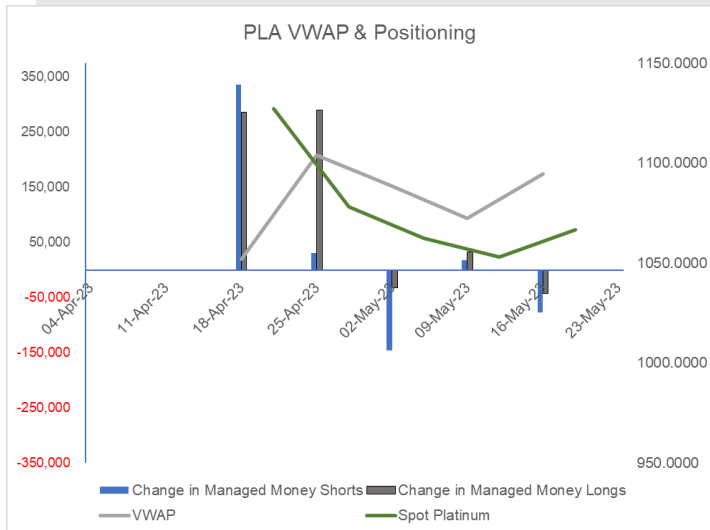
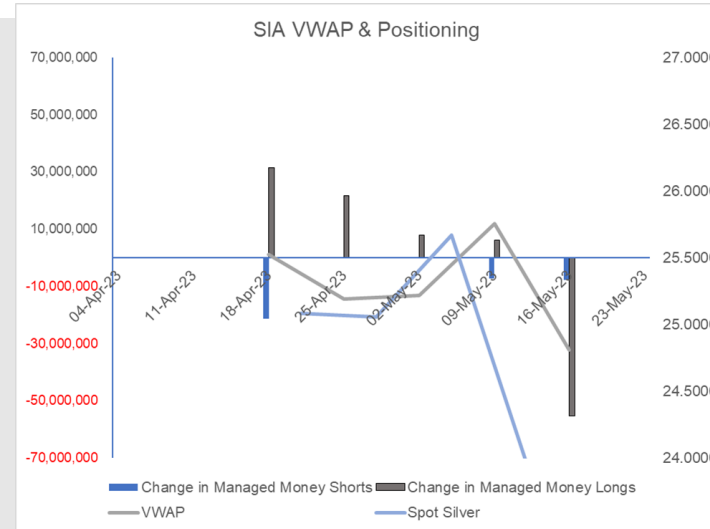
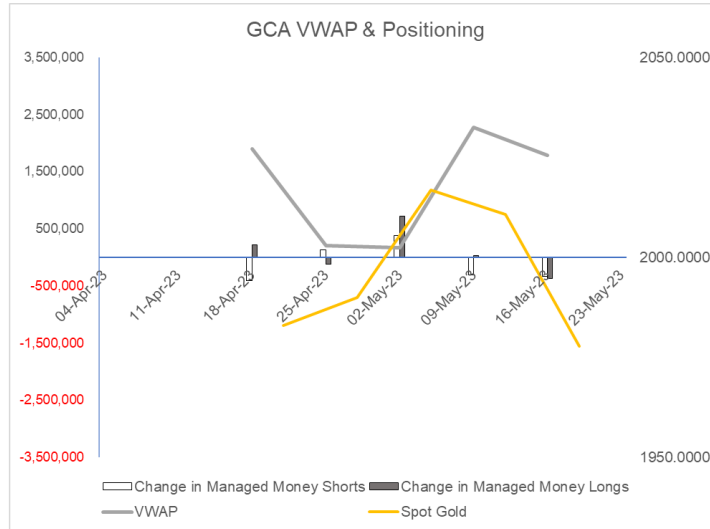
Week ending on:	Weekly Change in Managed Money Positions (Futures only)			
	US\$ VWAP	Longs	Shorts	Net change
Tuesday, 16 May 2023	\$1,559.61	-2,300	-77,300	75,000
Tuesday, 9 May 2023	\$1,479.86	33,200	-28,800	62,000
Tuesday, 2 May 2023	\$1,481.73	-11,400	52,400	-63,800
Tuesday, 25 April 2023	\$1,584.35	-30,000	-24,400	-5,600
Tuesday, 18 April 2023	\$1,526.03	37,500	-111,100	148,600
		27,000	-189,200	216,200

12% 88%

Palladium ETF Change in position	30,422
Total change over period	246,622

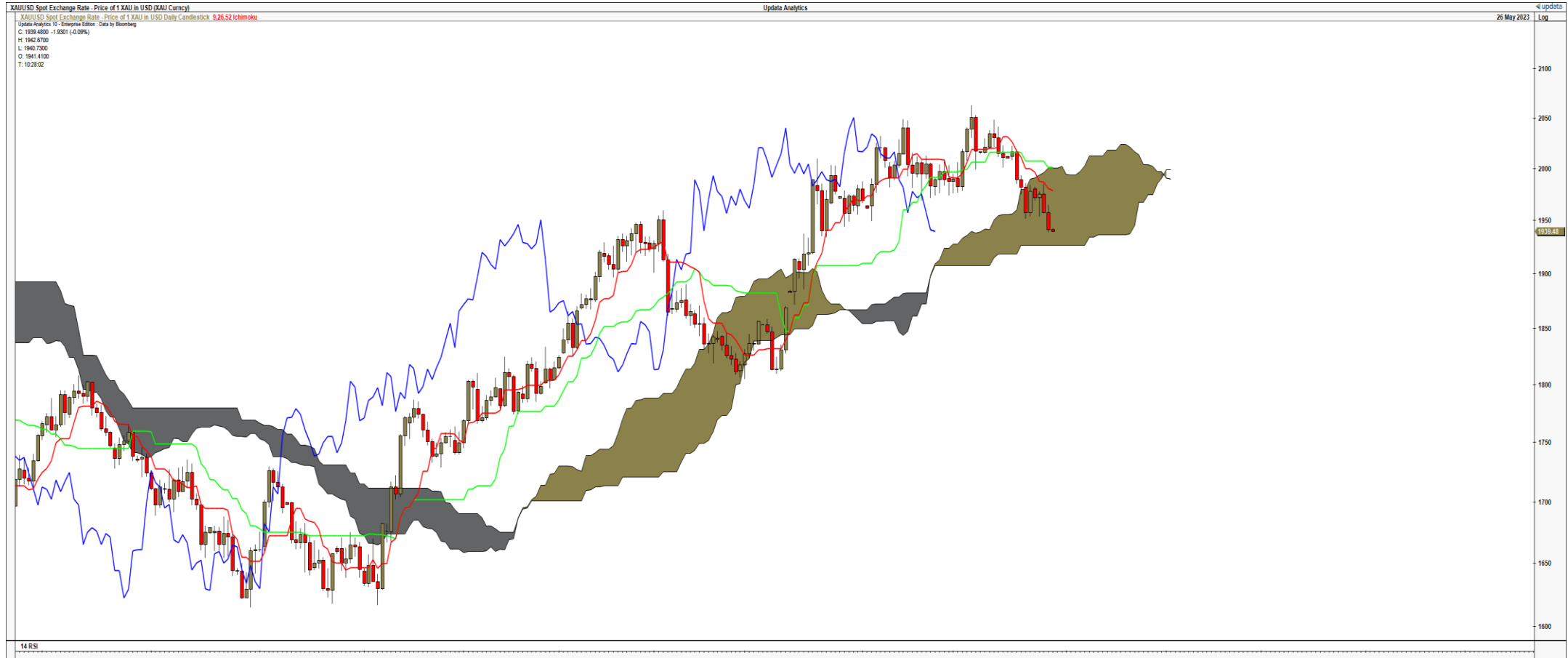
Precious metals positioning and Volume-Weighted Average Pricing (Charts)

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



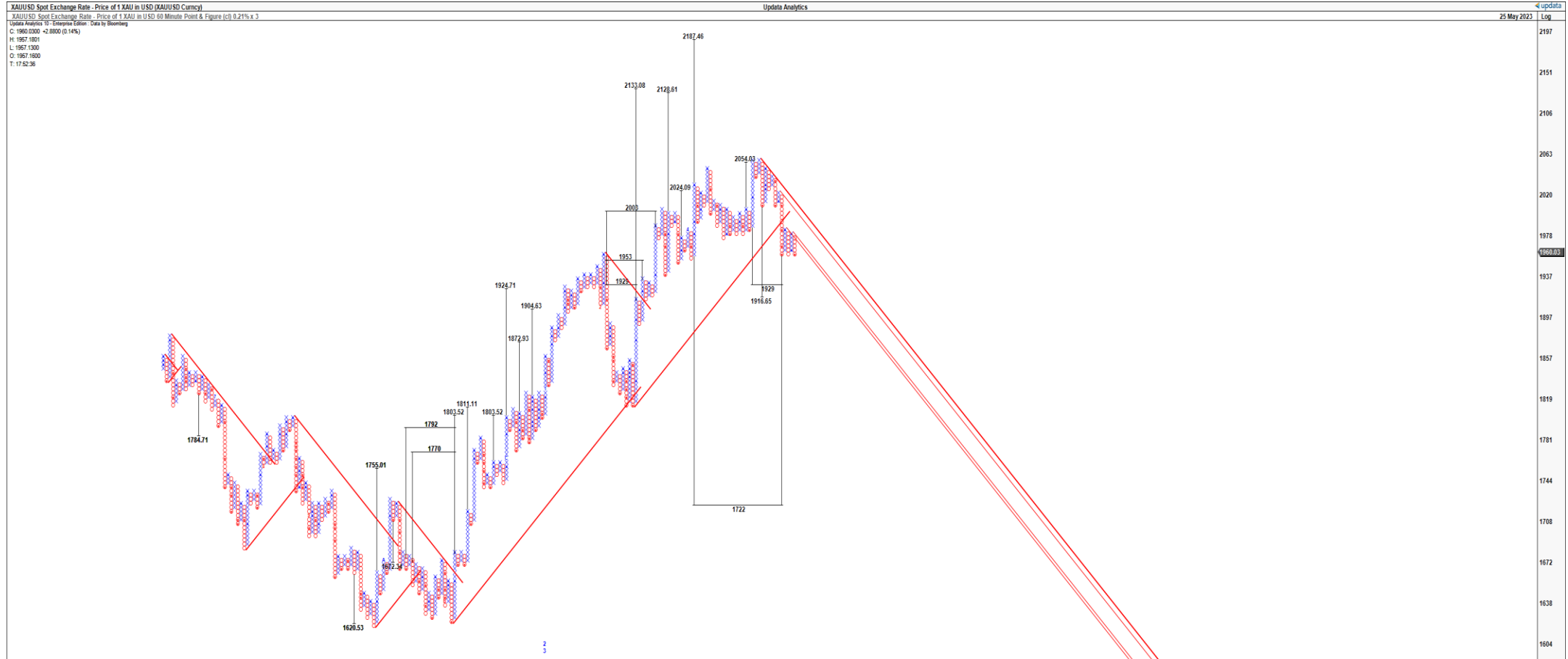
Daily Ichimoku Cloud Chart

Pushing into Daily cloud support. Technically still bullish as gold entered the cloud from above but looking under significant pressure. Support at the Cloud base, USD1927, and the 100 day Moving Average, USD1935.



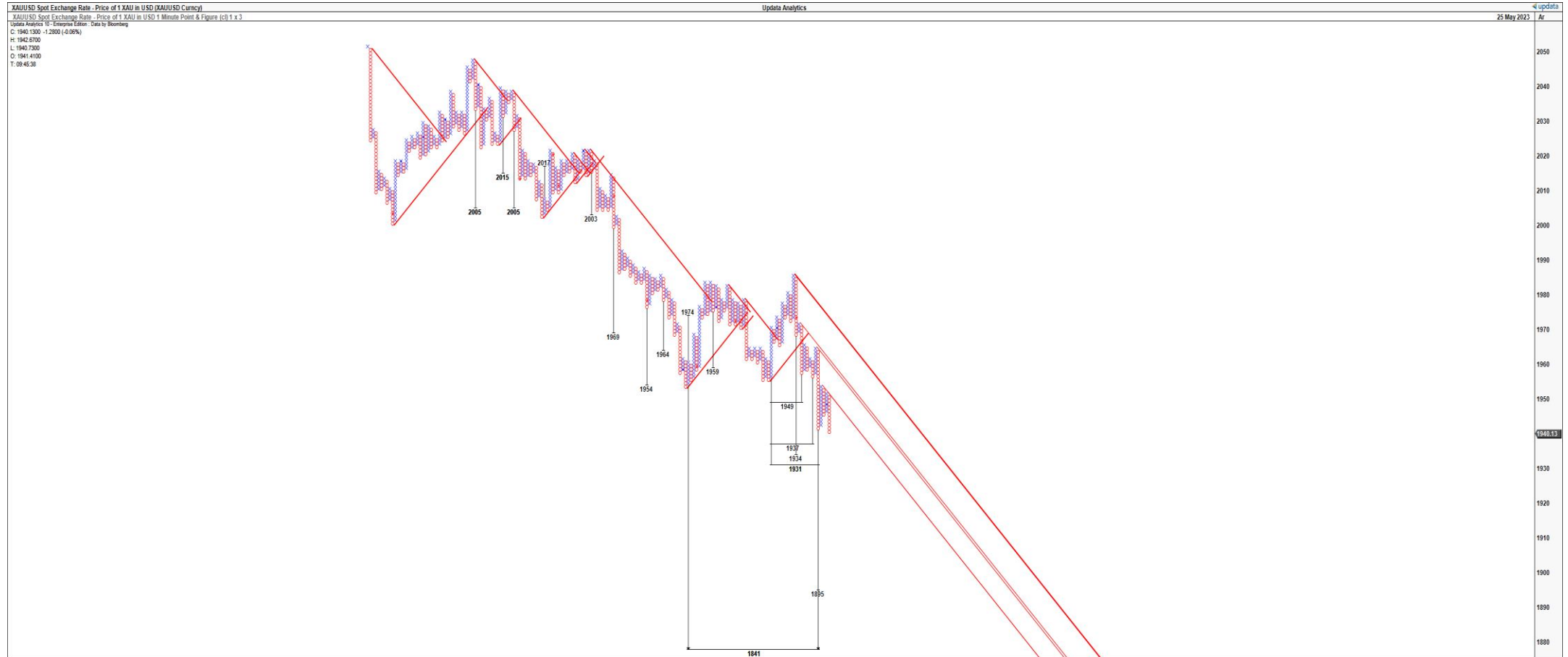
Gold Hourly Point and Figure – Medium Term

Now trending bearishly after the breakdown through the large consolidation area between USD1,980~2,000, gold lost momentum after fulfilling an important target to USD2,054. After some quite accurate targets on both the up and downsides, its hard to disrespect the message from this chart. The very substantial upside targets don't knock out until the 1930s at the earliest.



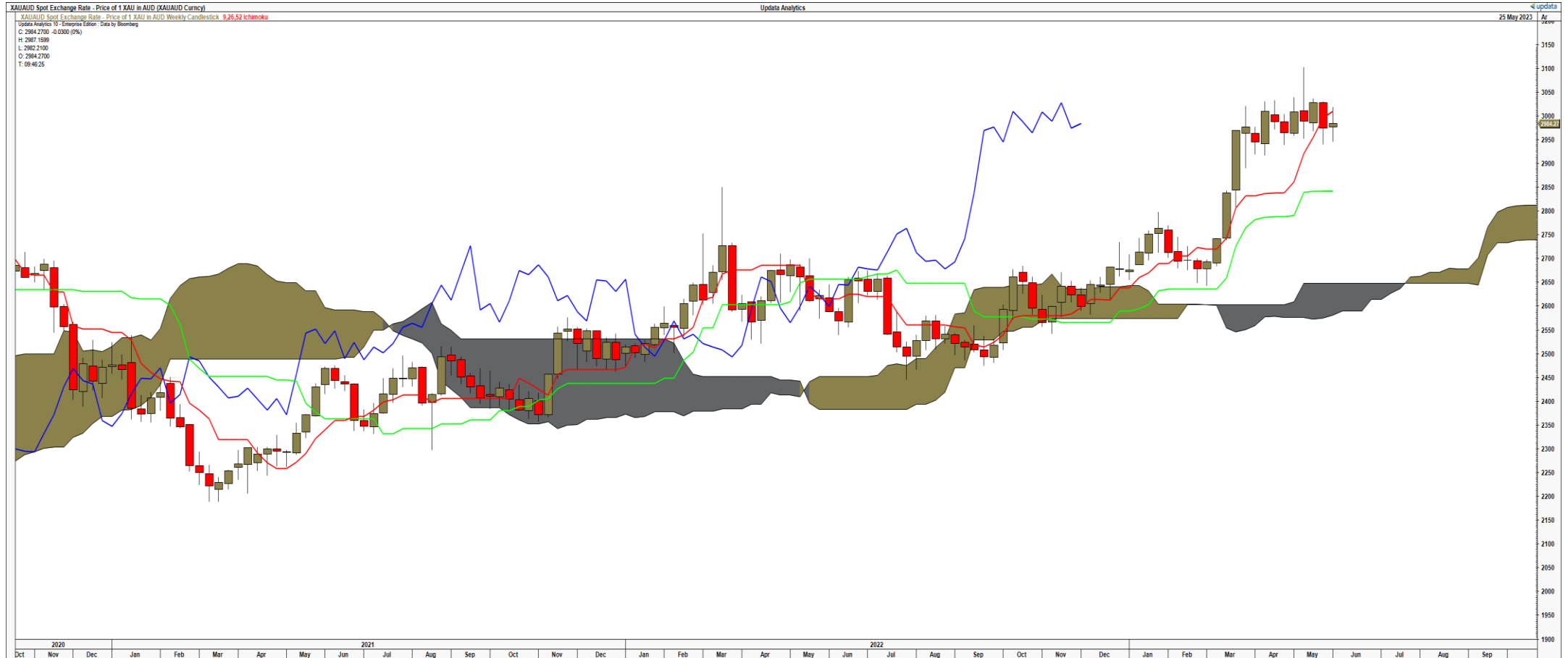
Gold Point and Figure – Shorter Term

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.



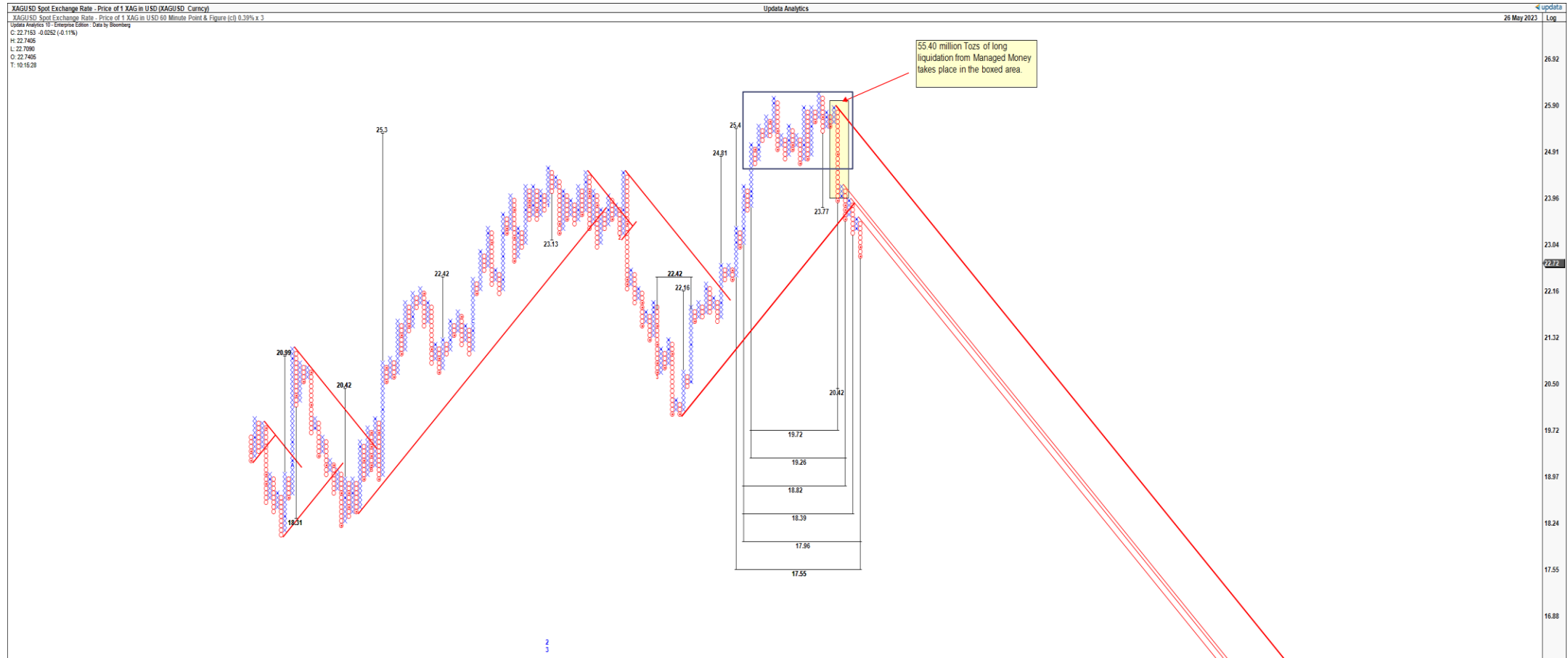
Silver in USD via Weekly Ichimoku Cloud

Silver – bullish configuration above the cloud, with support at USD22.25 from the weekly cloud top, then USD21.85 and USD20.84. Key resistance at USD27.00



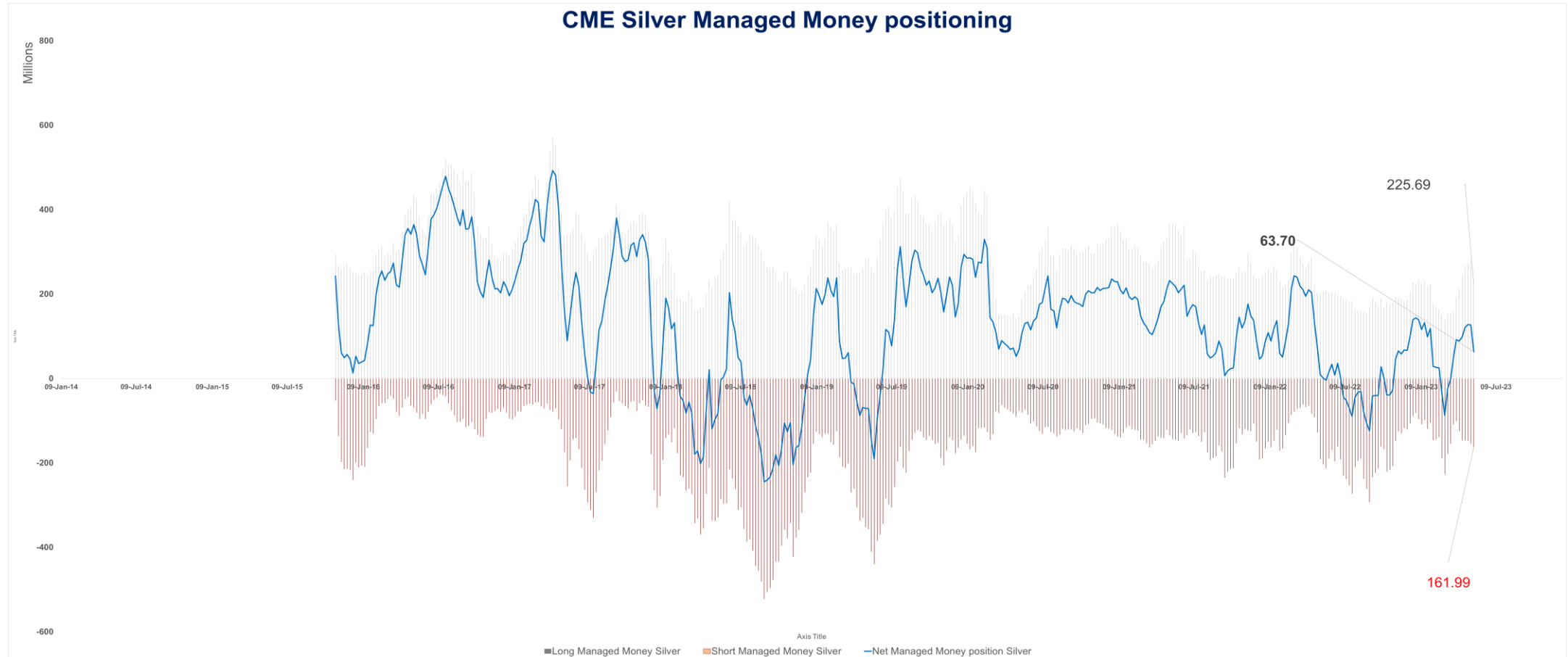
Silver in USD – Medium term via Hourly Point and Figure

The broad area of sideways trading depicted in the grey box saw Managed Money longs grow by 90 million and shorts increase by about 45 million. Eventually longs liquidated hard in the week ending May the 16th. The width of the sideways area and the subsequent breakdown in price has created some deep downside targets. Support at USD 21.50 and USD20.



Overview of Managed Money Positioning in Silver (Futures only)

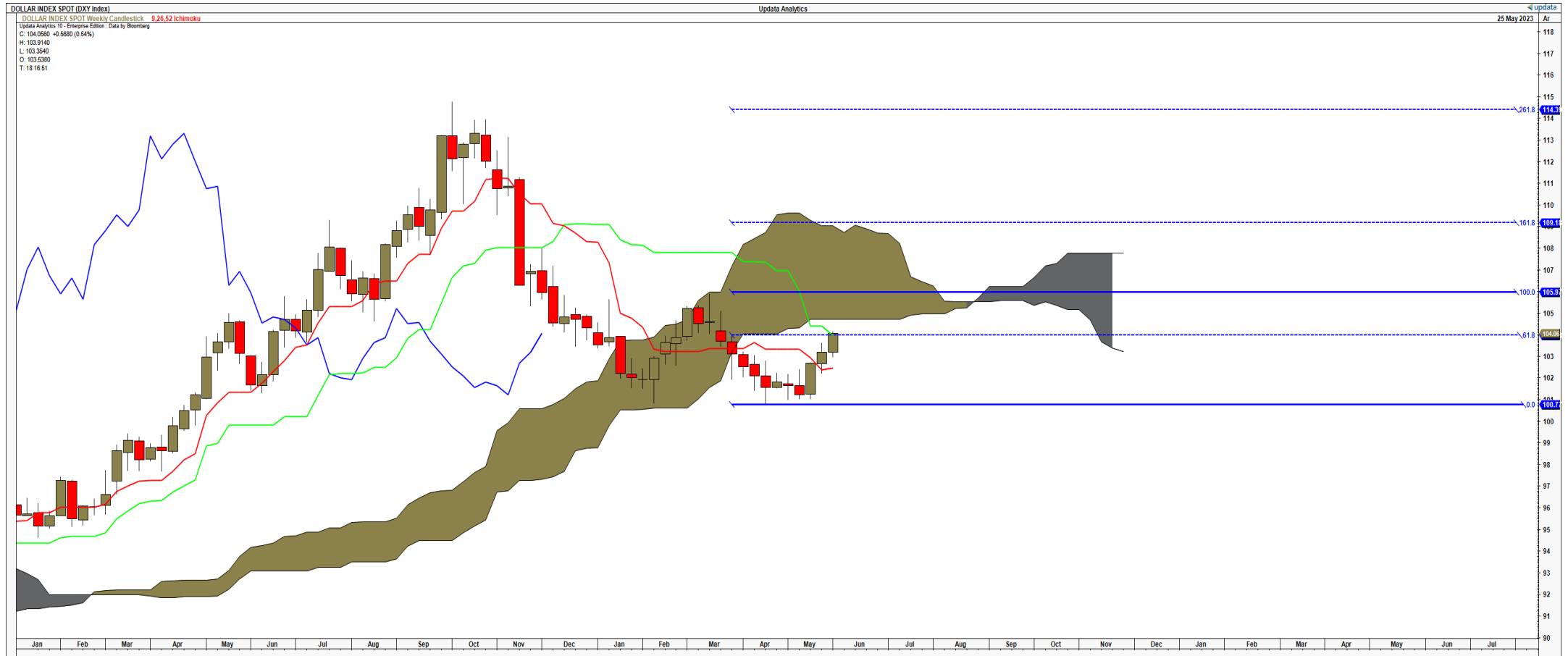
Net positioning lowering(+63.70 mm Tozs) after growing short selling through early April onwards.



The Dollar Index - DXY – via Weekly Ichimoku cloud

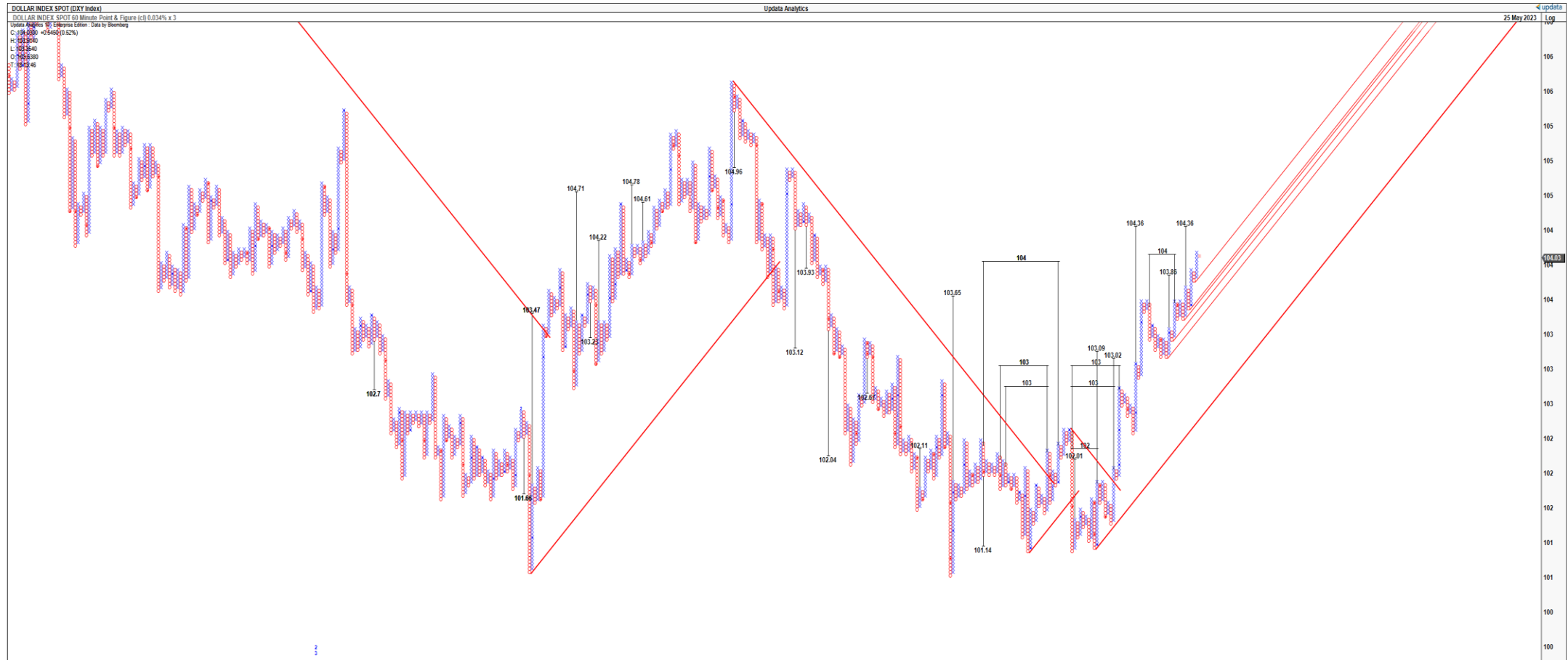
The rebound in the DXY faces resistance at the Weekly Standard Line, the vicinity of the 61.80 Fibonacci retracement, and from the Cloud base above.

Limited targets in the Hourly (next slide) tend to suggest that upward momentum will fade between here and 104.70.



The Dollar Index – DXY – via Hourly Point and Figure

The DXY has plausible targets back to 104.36, which all other things being equal, will keep gold on the defensive.



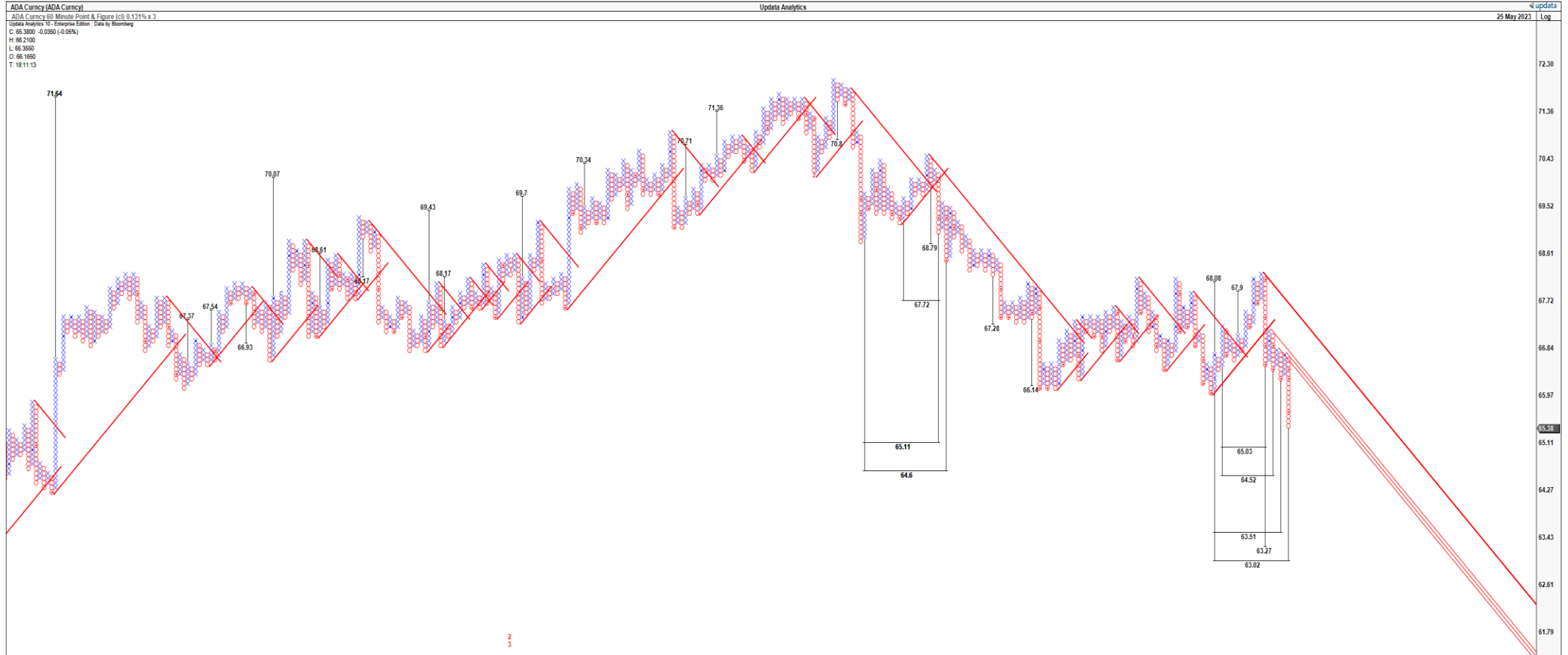
AUD via Weekly Ichimoku Cloud

The mighty weekly cloud resistance (and a pessimistic trade outlook?) guides the AUD lower, even through the important 61.80 retracement of the October 2022 ~ February 2023 rally.



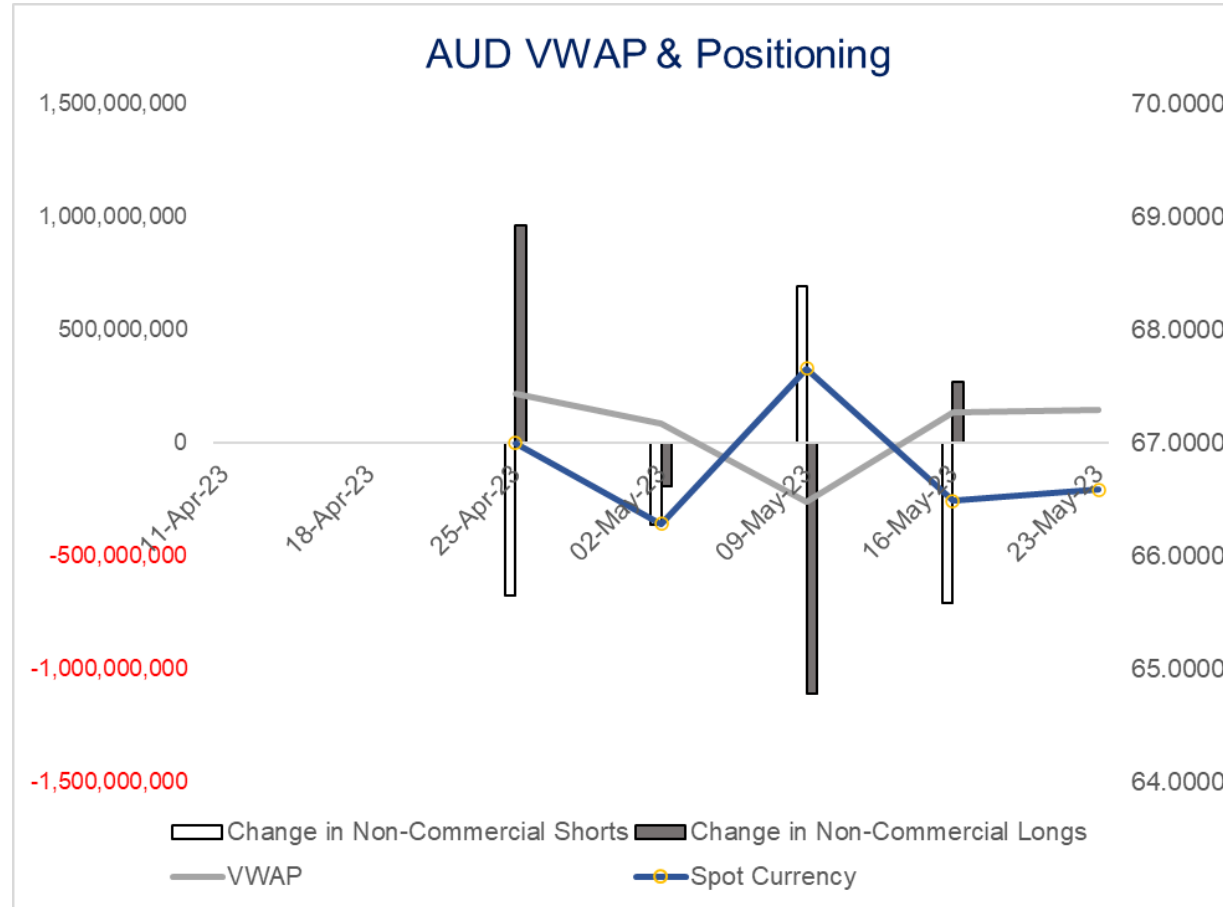
The AUD Hourly Point and Figure

AUD targets focus on 64.50 and 63.00 levels in the medium-term.



AUD Positioning and VWAP

Non-Commercial longs that entered the market in late April appeared to sell in early May, with some additional selling from non-comm. Shorts. Scepticism about Chinese growth in 2023 creates a headwind for the AUD.



Source: Bloomberg, ABC Refinery

Where to from here?

Since March, the US Debt ceiling has moved to centre stage. Some estimations of a successful resolution ahead of X-day are rather pessimistic and the USD has been notably well bid, keeping gold on the defensive. Position-wise, the inflow into gold since the last report has been relatively muted despite persistent concerns over financial conditions and the imminent clash over the debt ceiling, which if anything has been less vocal (so far) than observers may have expected.

Rate expectations still tilt sharply lower despite hawkish post – FOMC rhetoric from St. Louis Fed President James Bullard ('two more increases') and Minneapolis Fed President Neil Kashkari who is not persuaded that tightening financial conditions are doing the Fed's job for it. Overall, I expect a tightening bias or a longer plateau before rates dip.

Gold is defensive and targets suggest that without a change in news, a deeper pull-back is possible, however the 100 USD decline since early April suggests value is re-asserting itself.

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	
\$2,007.00	Daily Ichimoku Standard Line	
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)	25.00%
\$2,190.00	Basis 1 % Daily Point and figure (12 months)	39.00%
\$2,118.00	Basis Hourly Point and figure (1 month)	9.00%
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)	4.00%
\$1,428.00	Basis 1 % Daily Point and figure (12 months)	2.00%
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		\$1,960.00

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