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ABC Refinery Monthly Precious Metals Technical Analysis Report

September 2023

Gold - In Brief

Welcome to the September 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 A sharp dip to the USD1880s followed by a return to the Daily Ichimoku cloud as net positioning (CME Managed Money) drops to the lowest level since early November 2022. A slightly weaker USD and lower yields, plus some likely short covering from the spec sector helped gold higher. Gold remains below the Daily cloud but has ranged,

Macro Themes

America: Slightly flatter growth and the lowest job creation in 5 months (177,000, August ADP) but overall, data shows an economy that shows resilience and a decent labour market. Economists expect the Fed to reach a slightly higher Terminal Rate than the market does given the resilience of the US consumer and interest-rate sensitive sectors such as housing.

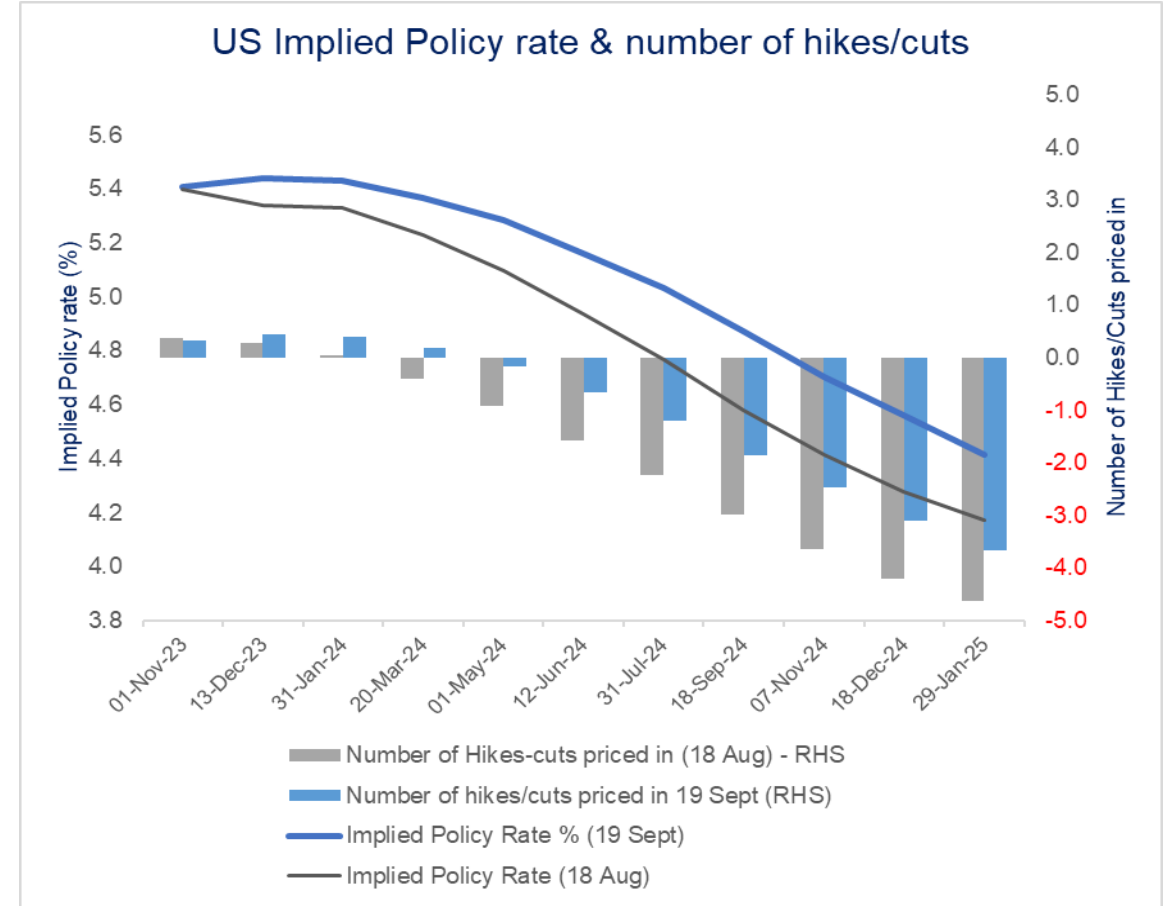
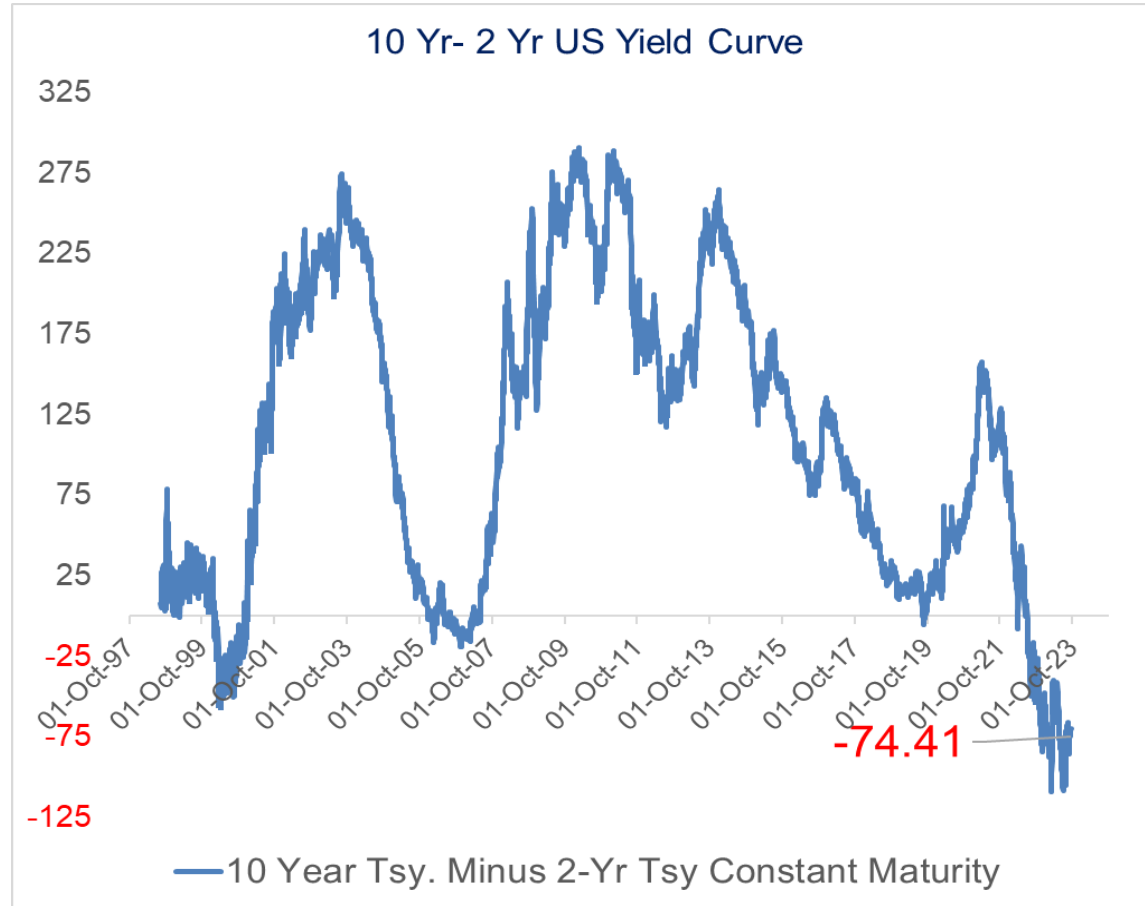
China: Negative data (PMI and Corporate profits) mentioned in the last report have been overshadowed by real concern over property, Local Government finances and WMPs (Wealth Management Products) Country Garden reported a record half-year loss (6.72 USD billion equivalent) All of the above have been long-running concerns and are in themselves not a surprise (the number of articles on a possible China 'Minsky Moment' written over the last decade is a sobering reminder of the difficulty of prediction) however perhaps zero-COVID has provided the necessary catalyst to the nexus of Real Estate/LGFVs/Wealth Management products. GS estimate a 1.50 % impact on real GDP: its hard not to imagine worse. Should a balance-sheet recession occur, the way out is a long and protracted journey.

Japan: The gradual loosening of Yield Curve Control is the key theme, but the JPY continues to weaken as even hawkish advocates for ending monetary stimulus float the idea that negative rates might end in 'early' 2024, giving Yen shorts space to breathe. Weaker Chinese activity is not helping the Yen either. Expectations are for a Q2 withdrawal from YCC.

Summary: Gold remains capped below the Daily Ichimoku cloud with resistance around USD 1940. The price is bullish in Weekly terms.

Money and yields

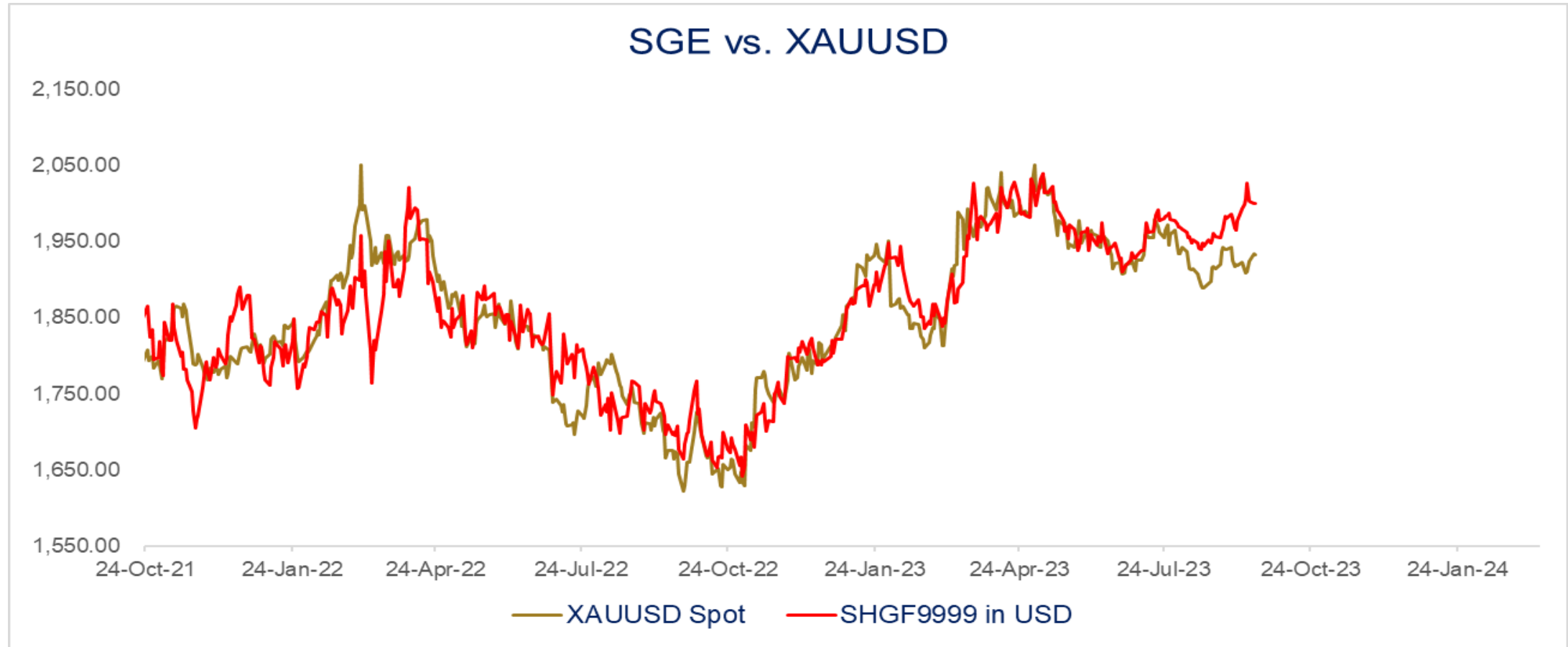
Expectations since this time in August are for a slightly 'higher for longer' in the US and a slower pace of interest rate cuts, in the face of a resilient economy. The 2Y-10Y curve remains sharply inverted. CME Fedwatch tool prices in a 1 in 4 chance of a 25 bp rise in November, and if November is skipped by the FOMC, a 1 in 3 chance at the December meeting.



Sources: Bloomberg, CME FedWatch, ABC Refinery

The strengthening USD...and its many consequences.

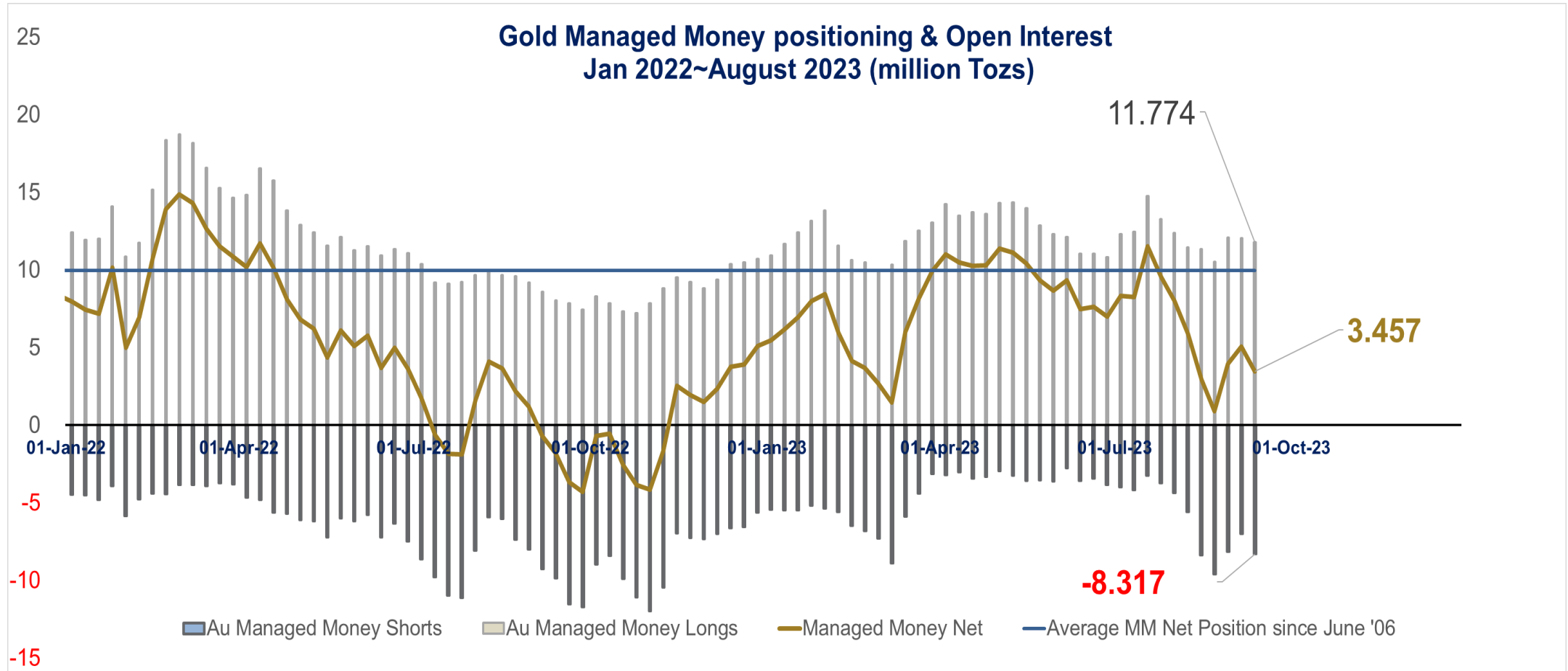
The rising Dollar and inversely, other currencies that struggle against it, is and will have many affects, some as yet unknown. However, the lack of USD quotas for imports into the SGE as the PBOC and SAFE use almost every tool at their disposal to support the Yuan means that the SGE gold premium rockets higher...



Source: Bloomberg, CME, ABC Refinery

Overview of Managed Money Positioning in Gold

Net positioning remains low, influenced by relatively elevated MM short bets on a lower gold price.



Source: Bloomberg, CME, ABC Refinery

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

Gold. New shorts outweigh Managed Money buying. Both silver and gold had decent buying from shorts over the course of August.

Volume-weighted Average Price - GC
Published 18 September 2023

Week ending on:	Weekly Change in Managed Money Positions (Futures only)			
	US\$ VWAP	Longs	Shorts	Net change
Tuesday, 12 September 2023	\$1,946.01	-248,500	1,330,900	-1,579,400
Tuesday, 5 September 2023	\$1,963.92	-38,700	-1,151,000	1,112,300
Tuesday, 29 August 2023	\$1,942.39	1,552,400	-1,460,900	3,013,300
Tuesday, 22 August 2023	\$1,926.53	-806,100	1,236,600	-2,042,700
Tuesday, 15 August 2023	\$1,949.25	-143,900	2,763,100	-2,907,000
		315,200	2,718,700	-2,403,500
		13%	113%	
Gold ETF Change in position		-1,237,313		
Total change over period		-3,640,813		

Volume-weighted Average Price - SI
Published 18 September 2023

Week ending on:	Weekly Change in Managed Money Positions (Futures only)			
	US\$VWAP	Longs	Shorts	Net change
Tuesday, 12 September 2023	\$23.51	-32,140,000	31,760,000	-63,900,000
Tuesday, 5 September 2023	\$24.69	-26,670,000	-11,015,000	-15,655,000
Tuesday, 29 August 2023	\$24.27	34,900,000	-40,580,000	75,480,000
Tuesday, 22 August 2023	\$22.91	23,935,000	-16,330,000	40,265,000
Tuesday, 15 August 2023	\$22.79	-1,375,000	13,070,000	-14,445,000
		-1,350,000	-23,095,000	21,745,000
		6%	106%	
Silver ETF Change in position		-16,271,244		
Total change over period		5,473,756		

Volume-weighted Average Price - PLA
Published 18 September 2023

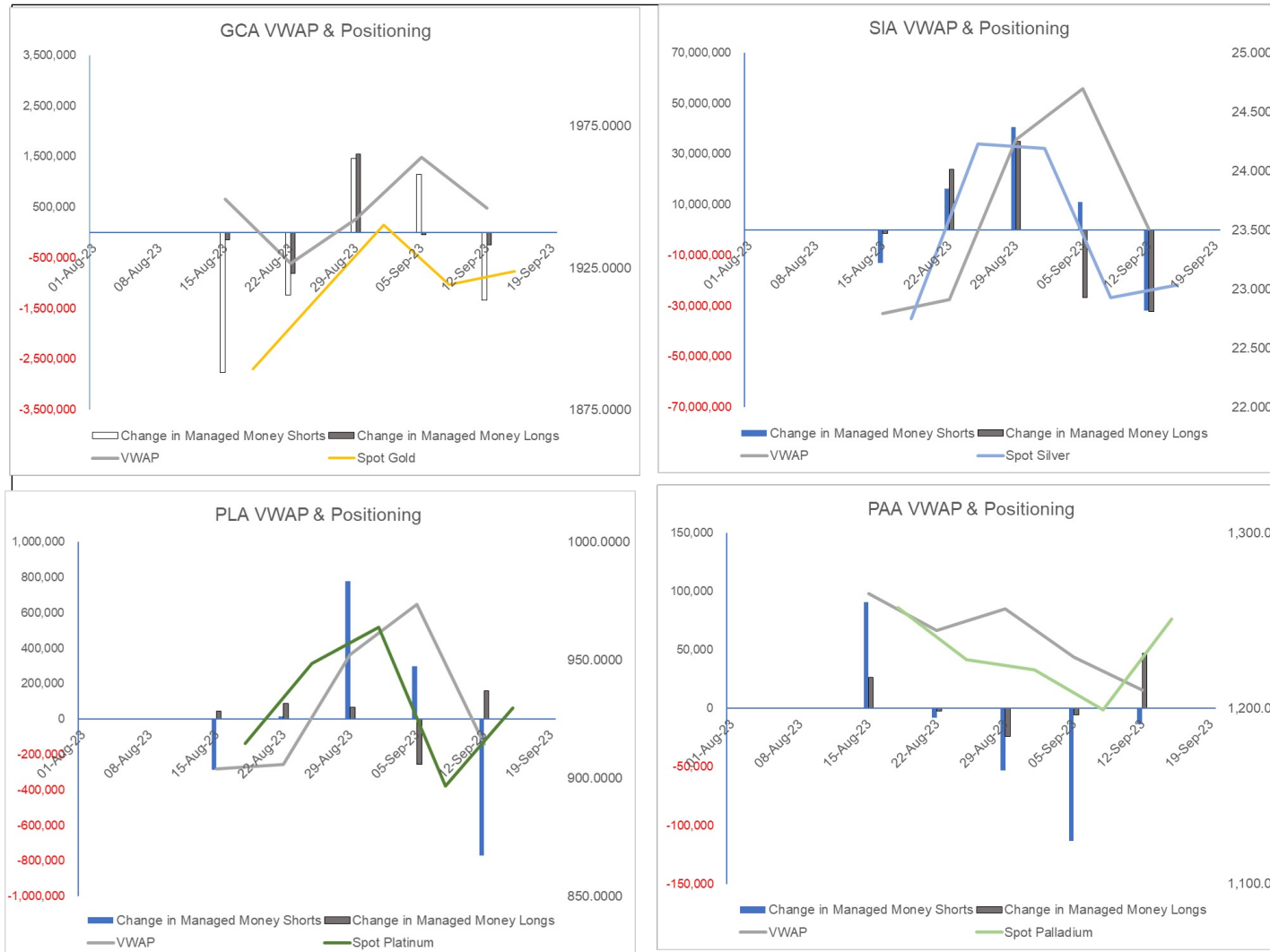
Week ending on:	Weekly Change in Managed Money Positions (Futures only)			
	US\$ VWAP	Longs	Shorts	Net change
Tuesday, 12 September 2023	\$914.40	160,950	769,250	-608,300
Tuesday, 5 September 2023	\$973.53	-256,200	-297,200	41,000
Tuesday, 29 August 2023	\$952.19	67,650	-778,300	845,950
Tuesday, 22 August 2023	\$905.91	87,400	-13,200	100,600
Tuesday, 15 August 2023	\$903.96	44,250	286,800	-242,550
		104,050	-32,650	136,700
		76%	24%	
Platinum ETF Change in position		-35,697		
Total change over period		101,003		

Volume-weighted Average Price - PAA
Published 18 September 2023

Week ending on:	Weekly Change in Managed Money Positions (Futures only)			
	US\$ VWAP	Longs	Shorts	Net change
Tuesday, 12 September 2023	\$1,210.42	46,900	13,600	33,300
Tuesday, 5 September 2023	\$1,229.35	-5,400	113,500	-118,900
Tuesday, 29 August 2023	\$1,256.66	-24,000	53,000	-77,000
Tuesday, 22 August 2023	\$1,244.52	-2,400	7,700	-10,100
Tuesday, 15 August 2023	\$1,265.46	26,800	-90,700	117,500
		41,900	97,100	-55,200
		76%	176%	
Palladium ETF Change in position		-13,543		
Total change over period		-68,743		

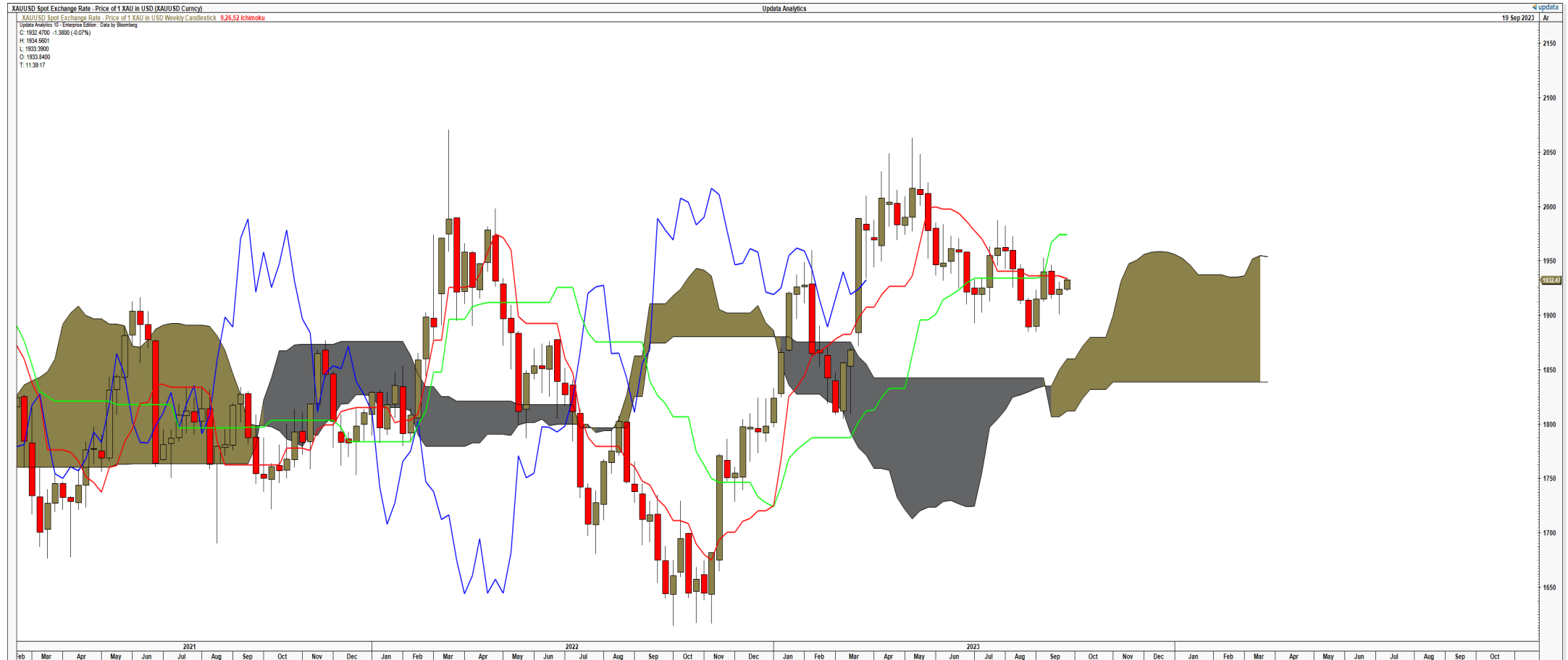
Precious metals positioning and Volume-Weighted Average Pricing (Charts)

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



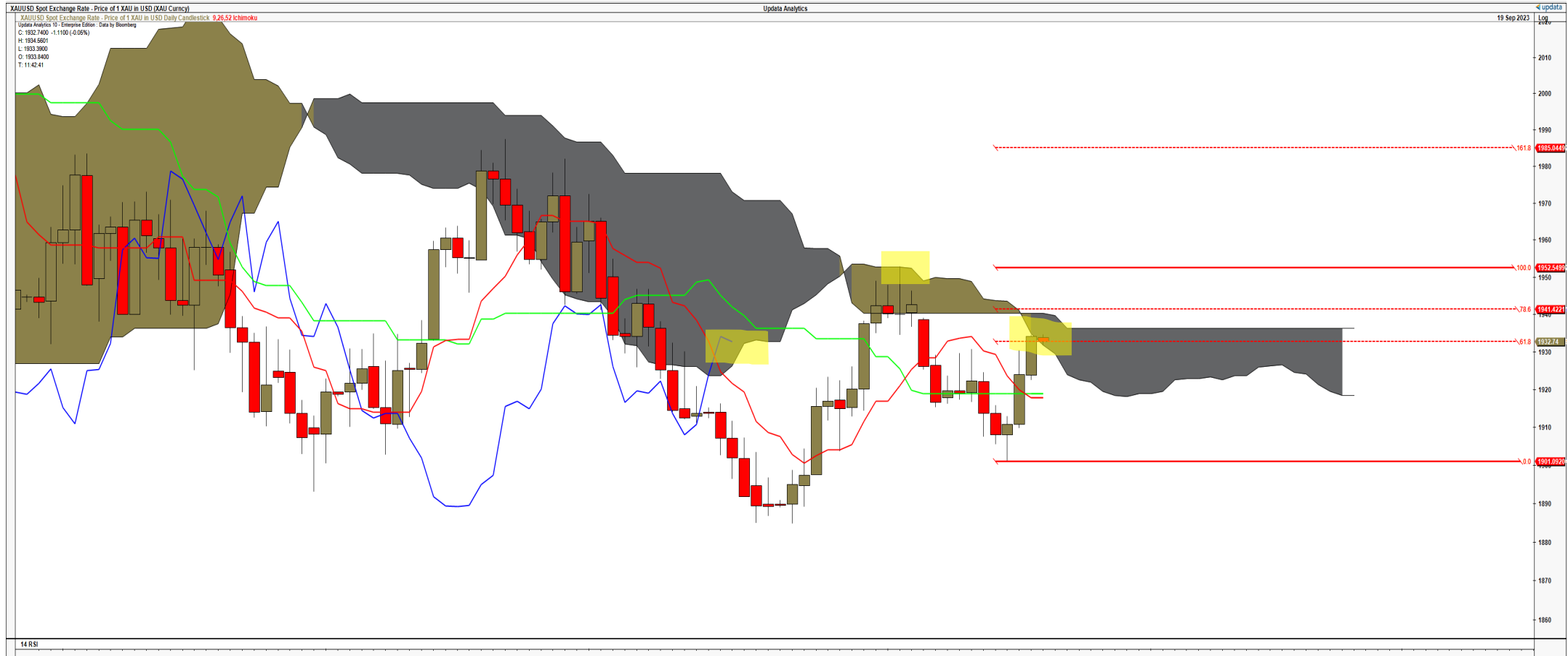
Weekly Ichimoku Cloud Chart

Bullish configuration above the Weekly Cloud top. Support around USD1871 from the Weekly cloud top. Resistance nearby and at USD1974 from the Weekly Standard Line.



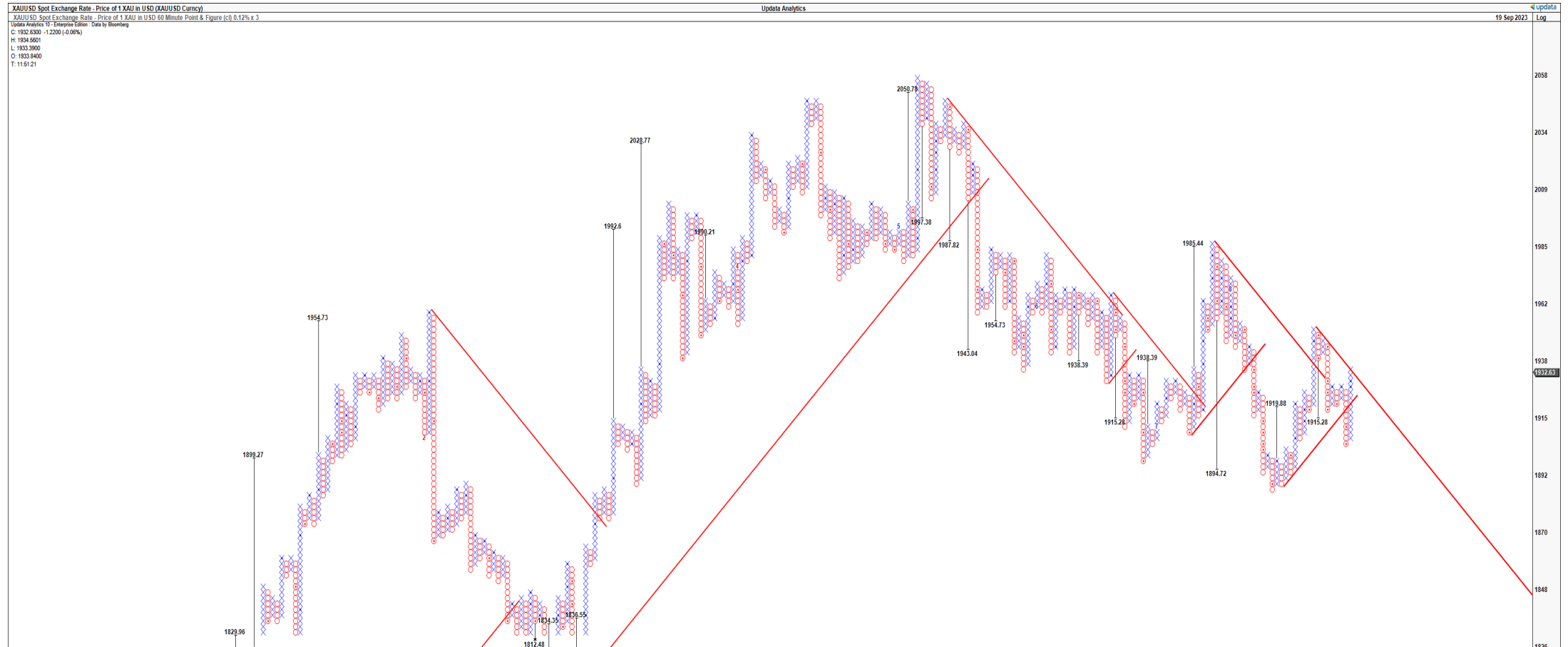
Daily Ichimoku Cloud Chart

Gold in USD recovers (again) to the Daily Cloud having retraced to the important 61.80 % of the most recent drop. Gold has to grind past and close above this local resistance, which extends to USD1940 before seeing signs of clear sky. (Yellow highlights denote areas of resistance both current and at the recent high.)



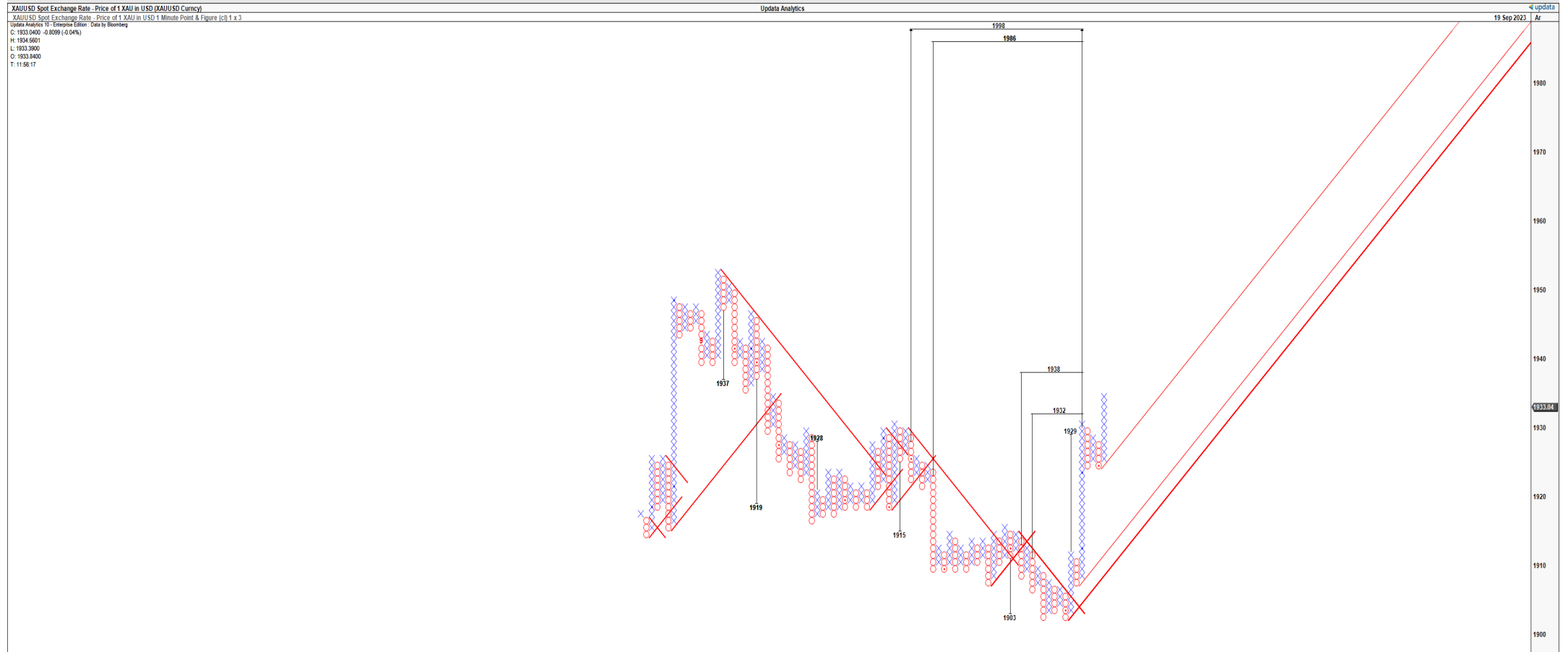
Gold Hourly Point and Figure – Medium Term

Gold rallies up to trend line resistance in this chart – the box size has been adjusted to reflect lower volatility. Increasing the zoom will help with viewing the targets! This chart has been a pretty sound guide to medium-term targets. The price will need to pull back at some point in order to generate a fresh upside target from the most recent rising column of blue 'x's..



Gold Point and Figure – Shorter Term

The broadening 'U' ('W') shaped area has created some significant upside targets. Near-term targets have all more or less been achieved, which suggests a pause here – possibly.



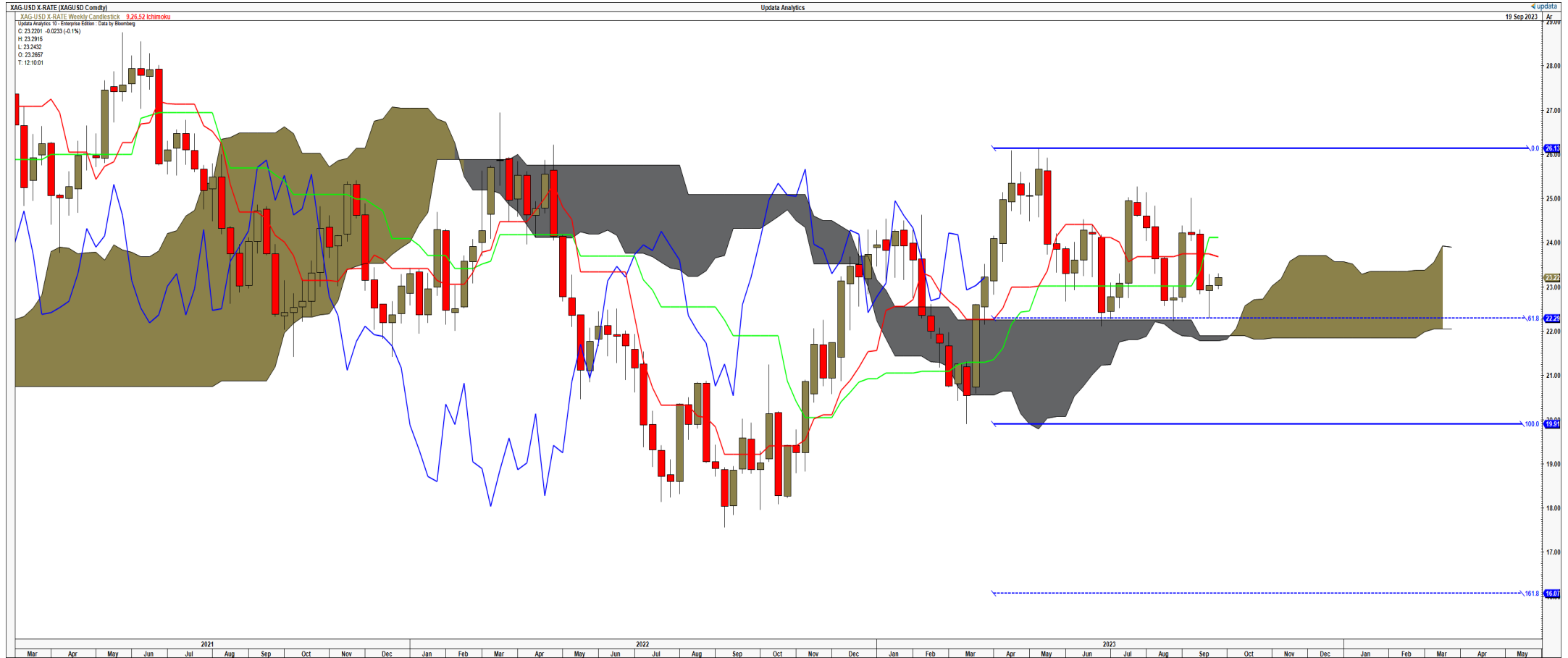
Gold in AUD via Weekly Ichimoku Cloud

XAUAUD: Gold in AUD moved above the Weekly Cloud with support nearby at . Support at AUD 2965 from the Standard and Turning lines, the AUD 2820 (and rising) from the Weekly cloud top.



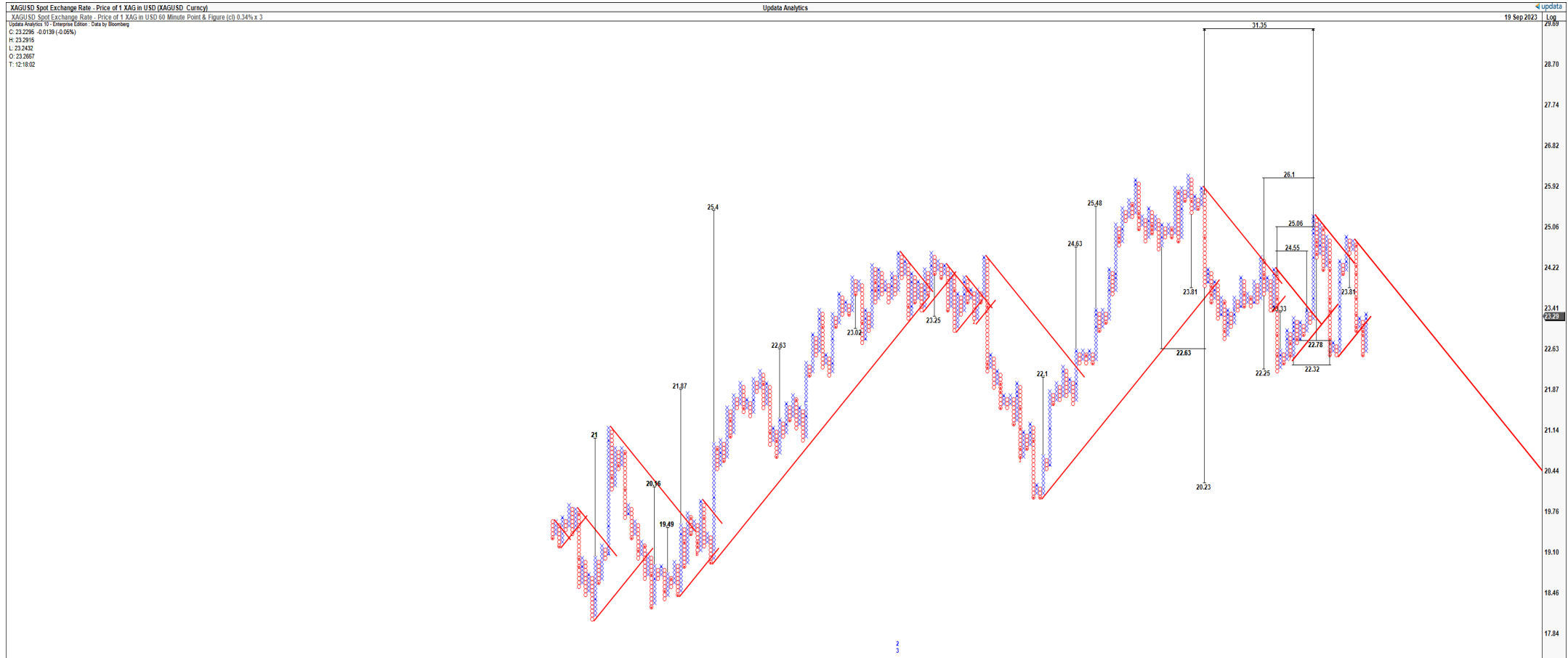
Silver in USD via Weekly Ichimoku Cloud

Silver – bullish configuration above the cloud, and recent falls have been well supported at the cloud top, plus the 61.80 % Fibonacci retracement of the move higher from the March 2023 low. The Weekly cloud top is now at USD 21.89m rising steadily through to USD 23.73 by mid-November.



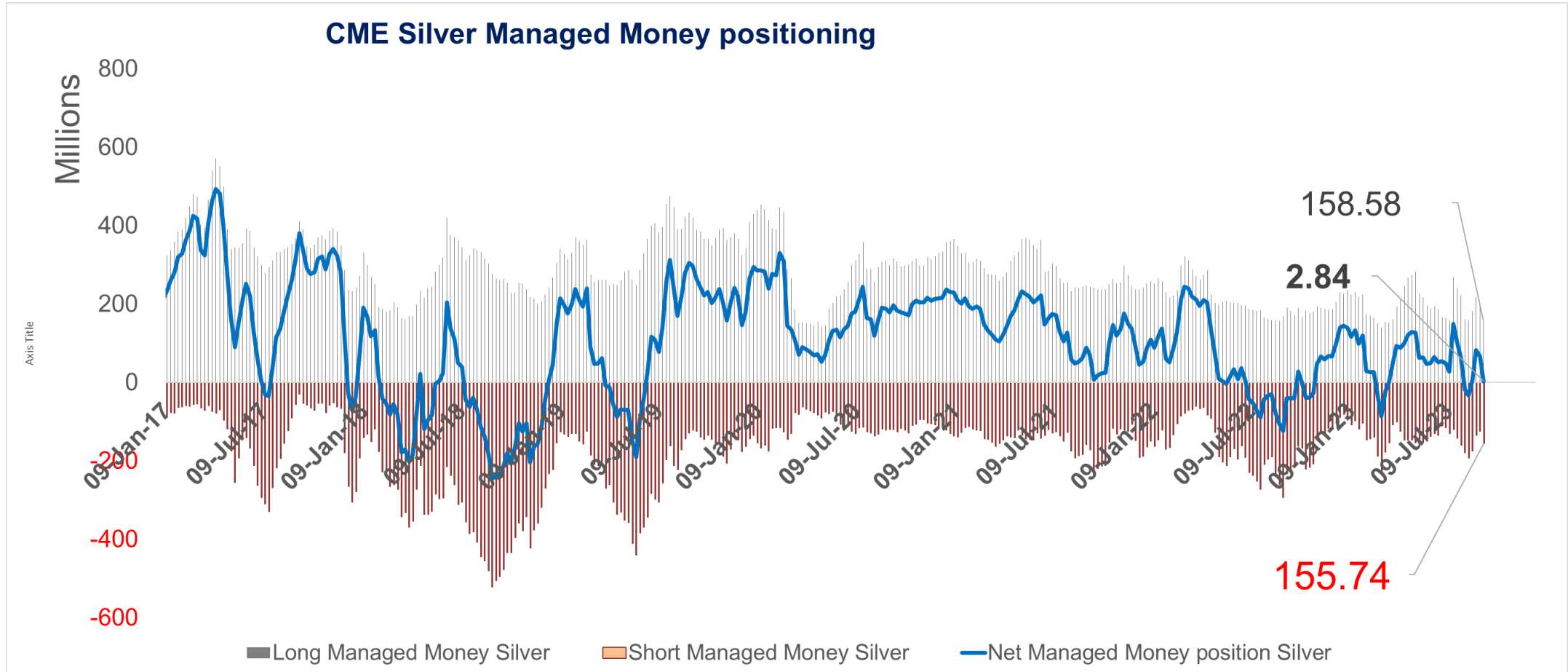
Silver in USD – Medium term via Hourly Point and Figure

Silver finding support near the recent lows and right on the USD22.32 target. (the actual low made on September the 14th USD 22.30...) Above the recent low, look for a target to form to at least USD25.00?



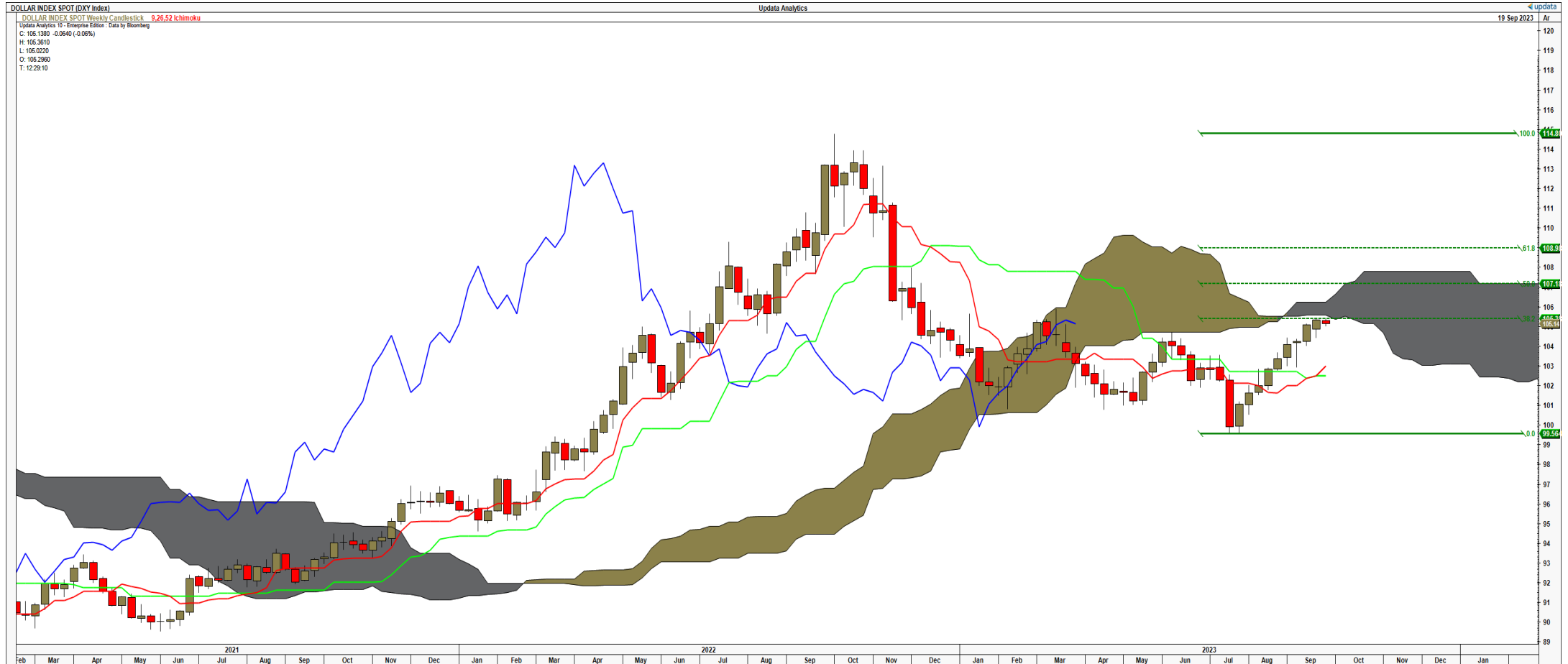
Overview of Managed Money Positioning in Silver (Futures only)

Net positioning almost negative now with a large increase in MM shorts at a VWAP of USD 23.51, following a period of significant short covering, with MM sector buying back into a period of mostly falling silver prices.



The Dollar Index - DXY – via Weekly Ichimoku cloud

The last report – ages ago! – indicated the limited upward scope for the DXY. The Dollar is now at a similar juncture, up against Weekly Cloud base resistance and the 38.20 5 Fibonacci retracement level. The DXY was boosted by the ECB indicating their profound tightening phase is over – that may be fully in the price now of course.



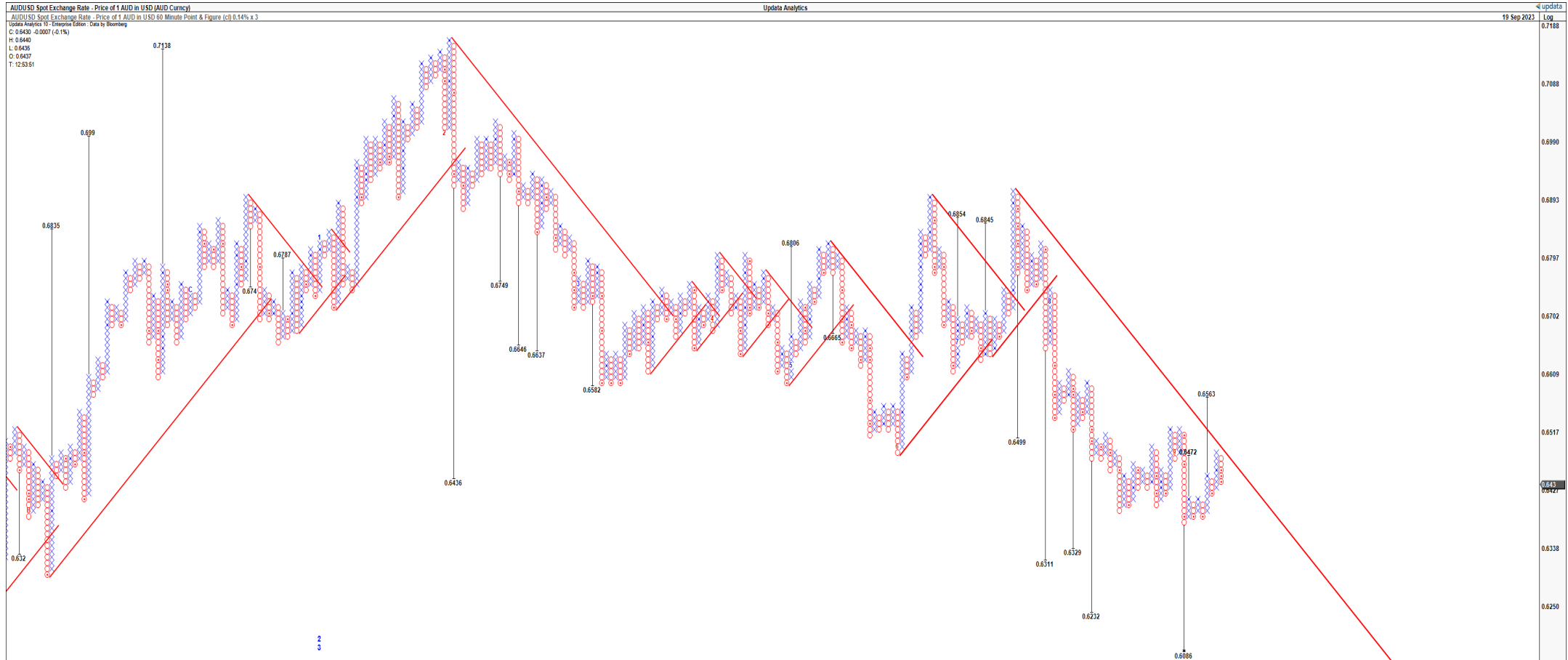
AUD via Weekly Ichimoku Cloud

AUD pessimism offset by signs of Chinese policy responses to property weakness. The AUD finding some support at the 78.60 % Fib retracement of the late 2022 early 2023 rally.



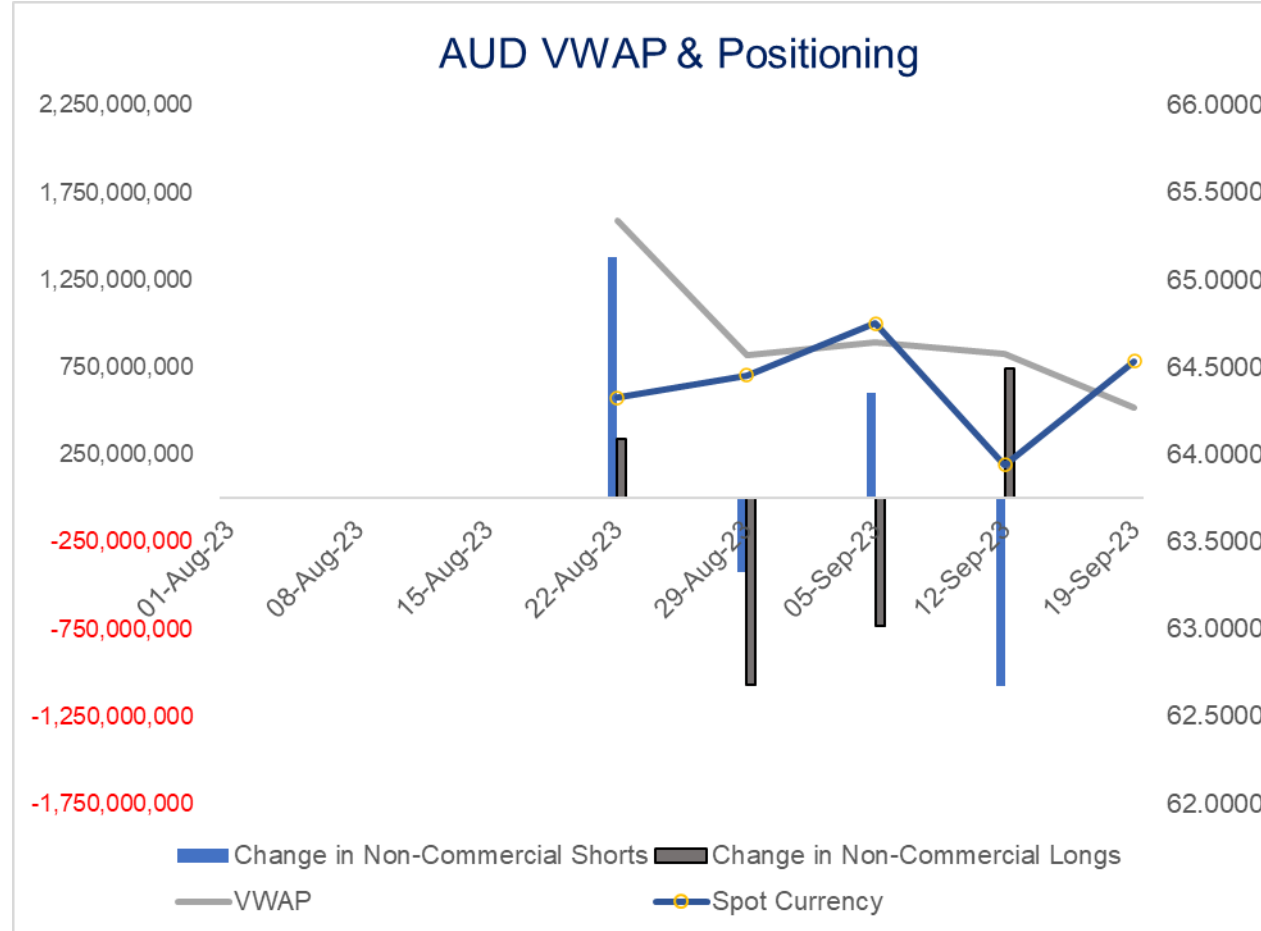
The AUD Hourly Point and Figure

AUD targets lower: inclined to believe in the downside more but a piece of good news on China could ping the AUD higher, and that target to 0.6563 would become more relevant if that case.



AUD Positioning and VWAP

Selling out of long positions, and a recent increase in AUD shorts that may be under threat as the spot crossed above the VWAP entry point for those recent sales?



Source: Bloomberg, ABC Refinery

Where to from here?

The tightening bias remains in place, with Fed commentary questioning whether the Fed has done enough – challenging the market’s own expectations on this point. Recent commentary also shifts some of the blame for persistent inflation to aggressive fiscal policy and suggests that in America at least, the neutral rate of interest (r^*) may have risen sufficiently that the economy can withstand – and require - higher policy rates. There are some question marks over that with regard to Australia, which suggests a headwind for the AUD separate from Chinese economic concerns...

Gold remains lightly positioned as an asset, which at least allows scope for a ‘potential’ larger rally with fewer longs to act as ballast. US consumer resilience *so far* and ‘no news is good news’ from the banking sector have possibly dampened gold’s rise.

Physical demand remains strong in Asia despite signs of very restricted quotas into the SGE.

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)	20.00%
\$2,190.00	Basis 1 % Daily Point and figure (12 months)	34.00%
Targets		
Downside		Probability
\$1,515.00	Basis 1 % Daily Point and figure (12 months)	2.00%
\$1,428.00	Basis 1 % Daily Point and figure (12 months)	1.00%
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		\$1,932.00

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