



**ABC**<sup>®</sup>  
REFINERY

# ABC Refinery Monthly Precious Metals Technical Analysis Report

December 2023

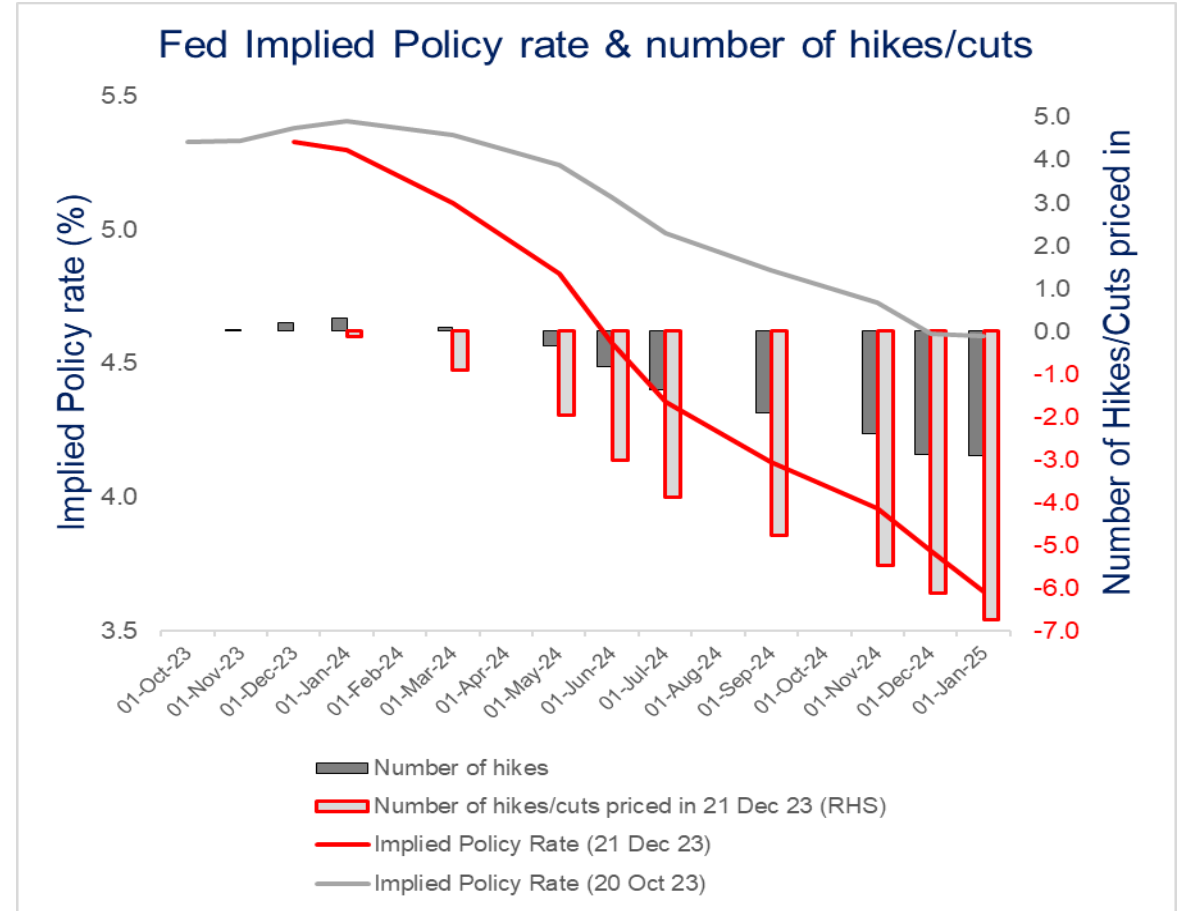
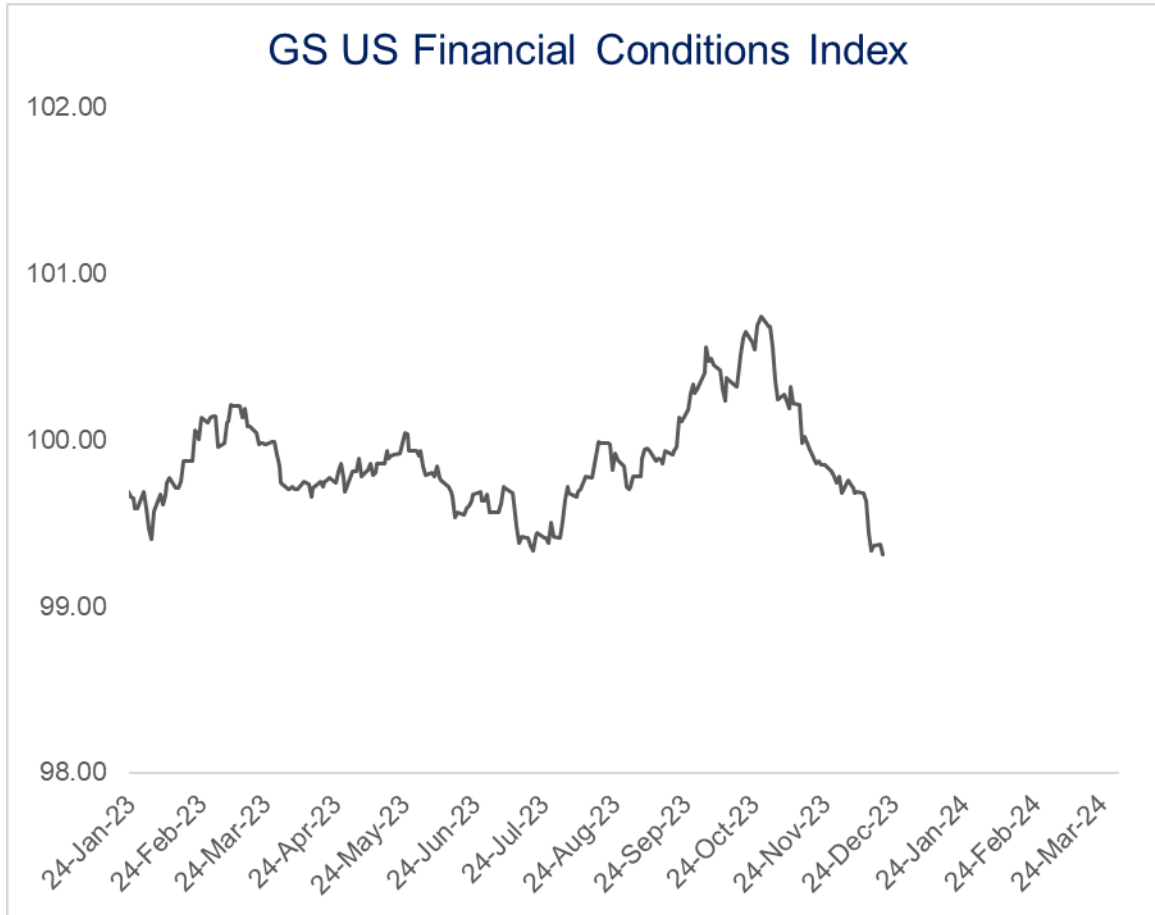
# Gold - In Brief

Welcome to the December 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: Dec 5<sup>th</sup> move, triggered by Houthi attacks on shipping in the southern Red Sea was amplified by short-covering and a likely push from negative gamma, then dropped aggressively to USD 165 off the highs. (An important level chart-wise...) A dovish message from the Federal Reserve chimed with the markets wish for a dovish turn, helping gold recover strongly: parsing subsequent Fed-speak hints at an over-reaction as NY/Cleveland Fed presidents describe talk of a pivot as premature.
- Macro Themes** Labour data in the US is pretty sound. Non Farm jobs grew by 199,000 in November, unemployment is down (3.70 %), labour force participation is up a little (to 62.80 %) and hourly earnings grew. With PCE inflation still almost 2 % above the Fed's target, you could be forgiven for not being surprised at talk of Fed Funds dropping hard in 2024. Markets are forward-looking, sure, but an avowedly data-dependent Fed is busy spinning that policy rates should remain around this high for longer.
- China:** Property prices continue to fall. (New homes prices dropped for the fifth month running, falling in 59 out of 70 cities sampled) Private investment continues to decline. The PBOC added 800 billion CNY but has limited scope in monetary policy terms without threatening the Yuan and risking more capital outflows. Estimated 1 trillion Yuan of fiscal stimulus expected, and some micro-fiddling to incentivize first time buyers into property, measures likely to worsen loan quality over time. Chinese consumers purchased 678 mt between bar and coin (197 mt) and jewellery (481 mt) in Q1-3 of this year.
- Japan:** The Godot-like wait for YCC and negative policy rates to end goes on. July? USDJPY rose as participants adjusted their expectations post the December 19<sup>th</sup> BOJ meeting.
- Summary:** Gold broke through the important USD2070 level this month. Quickly rejecting the highs, was this a false break, or laying the groundwork for a further rally? 3-month 25 Delta calls trade at 2.63 vol over 25 Delta puts so the market prices a move higher as the more likely outcome. Risks largely centre around uncertainty over US rates and responses to aggressions in the Red Sea, forcing trade to divert through longer and more expensive routes until some means of suppressing missile attacks from the Houthi can be reliably suppressed.

# Money and yields

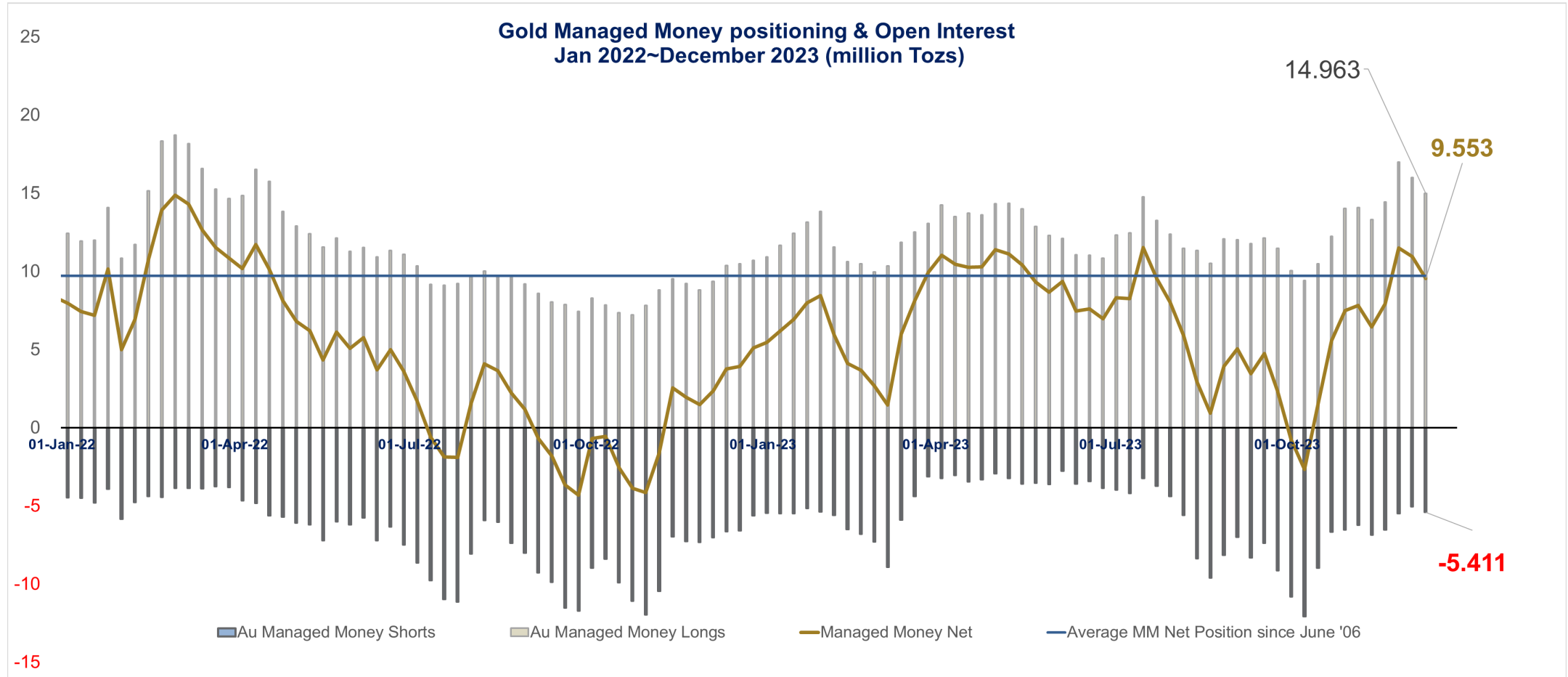
A significant decline in expected US Fed Funds in 2024, with an additional 100 bp of cuts priced in since the 20<sup>th</sup> of October.



Sources: Bloomberg, CME FedWatch, ABC Refinery

# Overview of Managed Money Positioning in Gold

Net positioning broke above the long-term (2006 onwards) average, before converging on the average as Managed Money longs rise. Exposure to gold among Commodity funds rising but fixed-income and equities still look good as asset classes, driven by the perception of easing rates.



Source: Bloomberg, CME, ABC Refinery

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

Gold: long-liquidation over the last two weeks with some short-selling appearing in the week ending 12<sup>th</sup> December. Likewise with silver although the period since Nov 7<sup>th</sup> has seen notable inflows.

## Volume-weighted Average Price - GC

Published 18 December 2023

Week ending on:	Weekly Change in Managed Money Positions (Futures only)			
	US\$ VWAP	Longs	Shorts	Net change
Tuesday, 12 December 2023	\$2,029.97	-1,027,300	358,600	-1,385,900
Tuesday, 5 December 2023	\$2,061.18	-978,800	-428,200	-550,600
Tuesday, 28 November 2023	\$2,013.81	2,531,400	-1,044,400	3,575,800
Tuesday, 21 November 2023	\$1,980.44	1,145,700	-336,300	1,482,000
Tuesday, 14 November 2023	\$1,959.56	-768,500	623,500	-1,392,000
		902,500	-826,800	1,729,300

52%

48%

Gold ETF Change in position	-820,837
Total change over period	908,463

## Volume-weighted Average Price - PLA

Published 18 December 2023

Week ending on:	Weekly Change in Managed Money Positions (Futures only)			
	US\$ VWAP	Longs	Shorts	Net change
Tuesday, 12 December 2023	\$914.26	-80,050	-137,900	57,850
Tuesday, 5 December 2023	\$931.93	-138,550	197,350	-335,900
Tuesday, 28 November 2023	\$934.84	35,600	-263,050	298,650
Tuesday, 21 November 2023	\$906.86	-650	-806,550	805,900
Tuesday, 14 November 2023	\$873.84	-14,050	755,750	-769,800
		-197,700	-254,400	56,700

349%

449%

Platinum ETF Change in position	5,550
Total change over period	62,250

## Volume-weighted Average Price - SI

Published 18 December 2023

Week ending on:	Weekly Change in Managed Money Positions (Futures only)			
	US\$ VWAP	Longs	Shorts	Net change
Tuesday, 12 December 2023	\$23.91	-51,900,000	12,415,000	-64,315,000
Tuesday, 5 December 2023	\$25.27	-8,760,000	2,400,000	-11,160,000
Tuesday, 28 November 2023	\$24.42	61,480,000	15,000	61,465,000
Tuesday, 21 November 2023	\$23.60	13,905,000	-9,915,000	23,820,000
Tuesday, 14 November 2023	\$22.66	25,350,000	-6,425,000	31,775,000
		40,075,000	-1,510,000	41,585,000

96%

4%

Silver ETF Change in position	-11,841,148
Total change over period	29,743,852

## Volume-weighted Average Price - PAA

Published 18 December 2023

Week ending on:	Weekly Change in Managed Money Positions (Futures only)			
	US\$ VWAP	Longs	Shorts	Net change
Tuesday, 12 December 2023	\$965.11	19,900	-37,200	57,100
Tuesday, 5 December 2023	\$1,016.94	-20,600	120,300	-140,900
Tuesday, 28 November 2023	\$1,072.68	-30,300	-46,200	15,900
Tuesday, 21 November 2023	\$1,050.81	-8,300	-165,500	157,200
Tuesday, 14 November 2023	\$1,018.64	47,000	91,300	-44,300
		7,700	-37,300	45,000

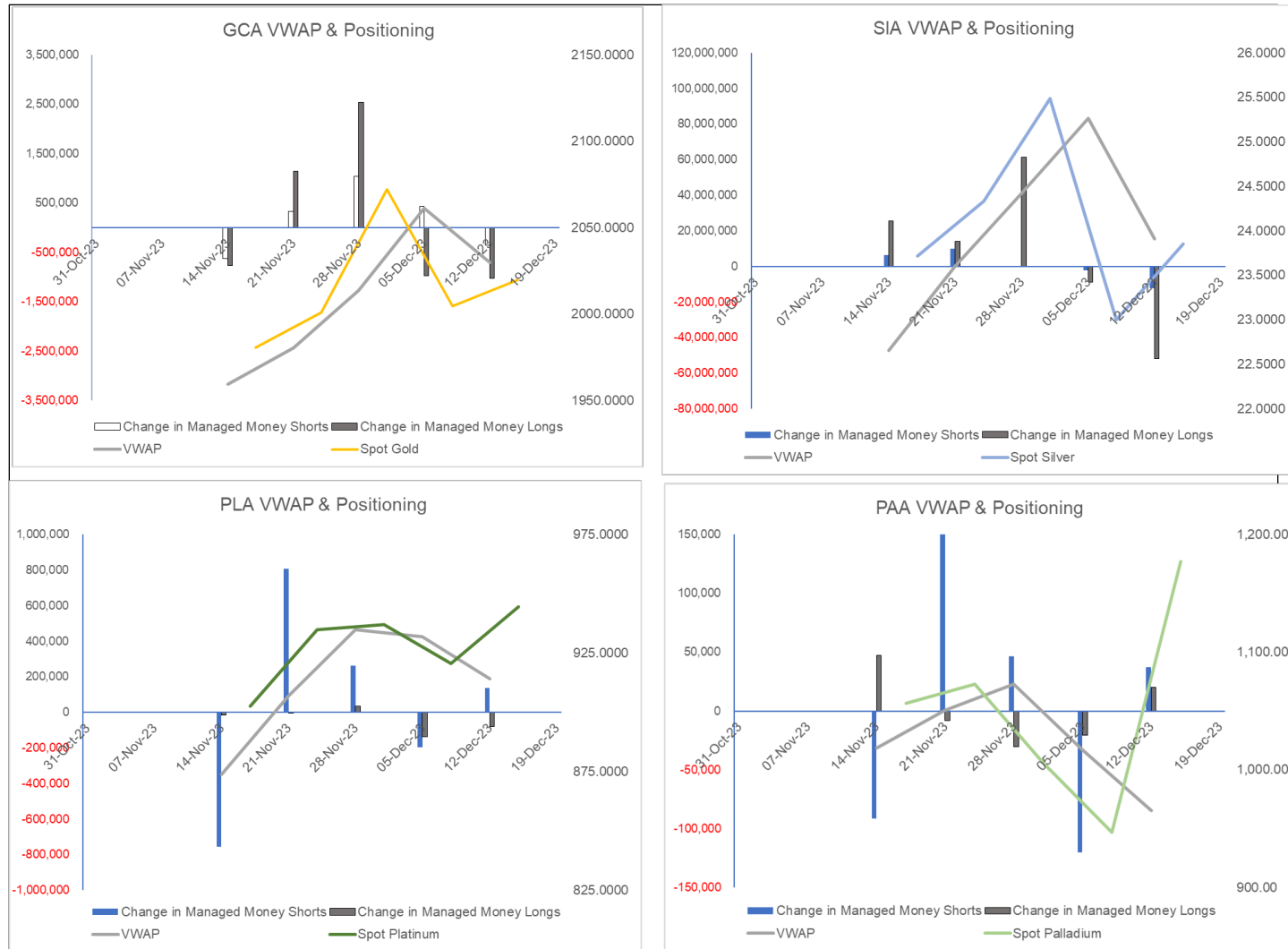
17%

83%

Palladium ETF Change in position	22,445
Total change over period	67,445

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

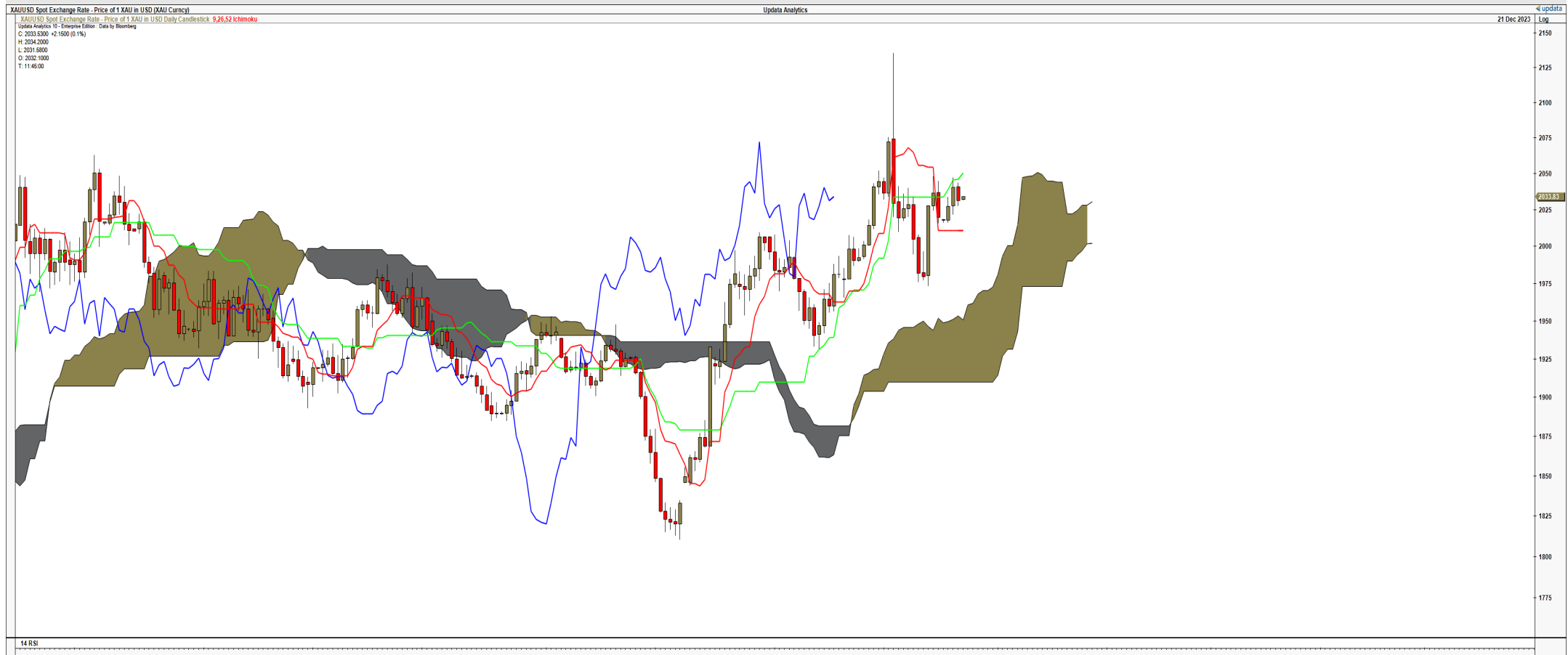
Changes in positioning and VWAP compared with the spot price represented visually.





# Daily Ichimoku Cloud Chart

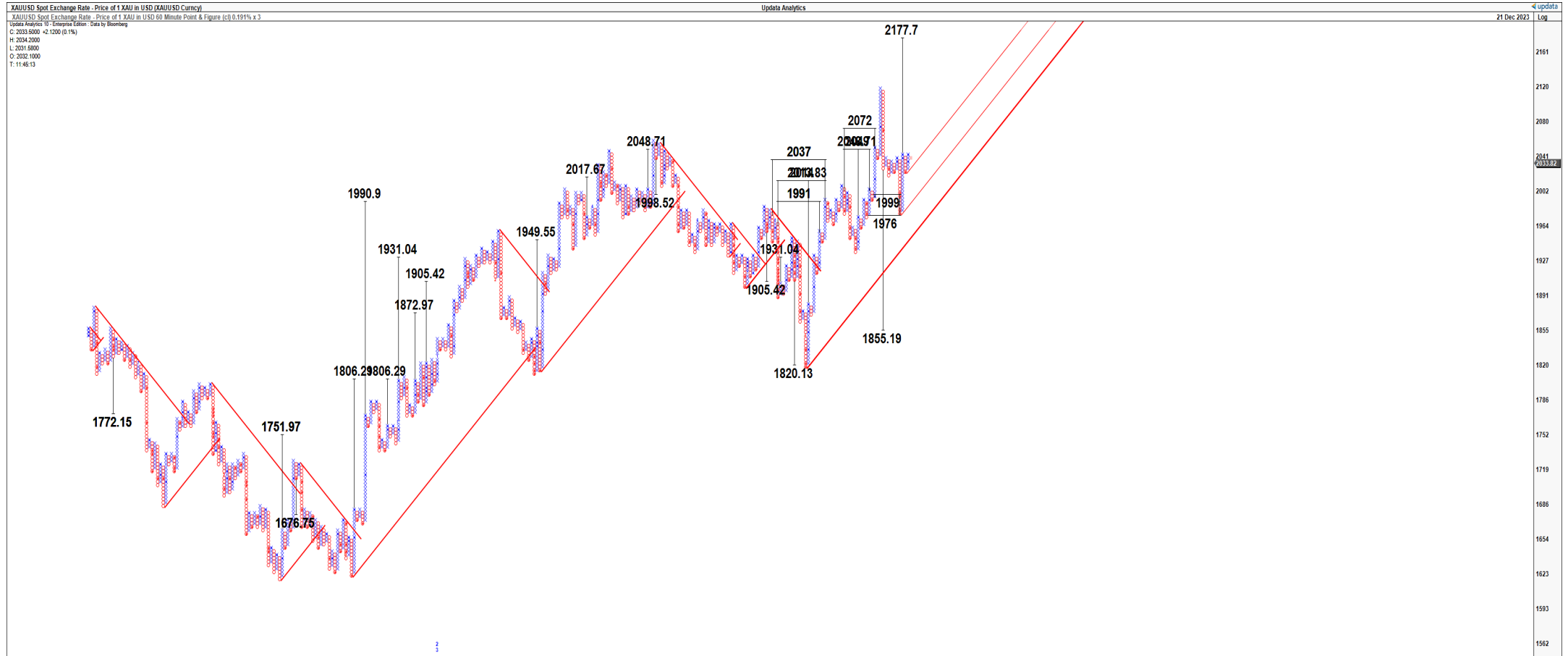
Gold in USD – bullish configuration with the price above the cloud. Light support at USD2010, resistance at USD2050, 2074.





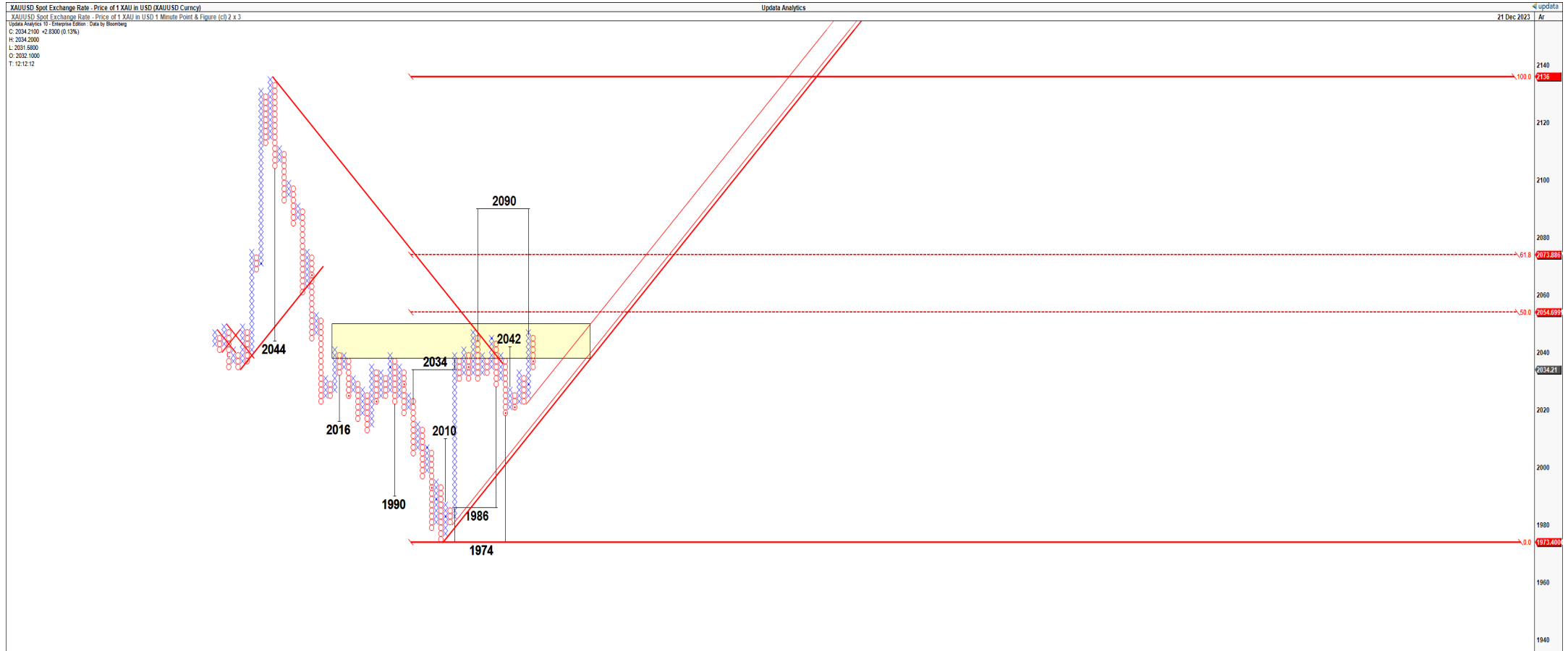
# Gold Hourly Point and Figure – Medium Term

Gold: the recent volatility produced some big targets on both sides. The downside target would take gold close to the Weekly Cloud base support.



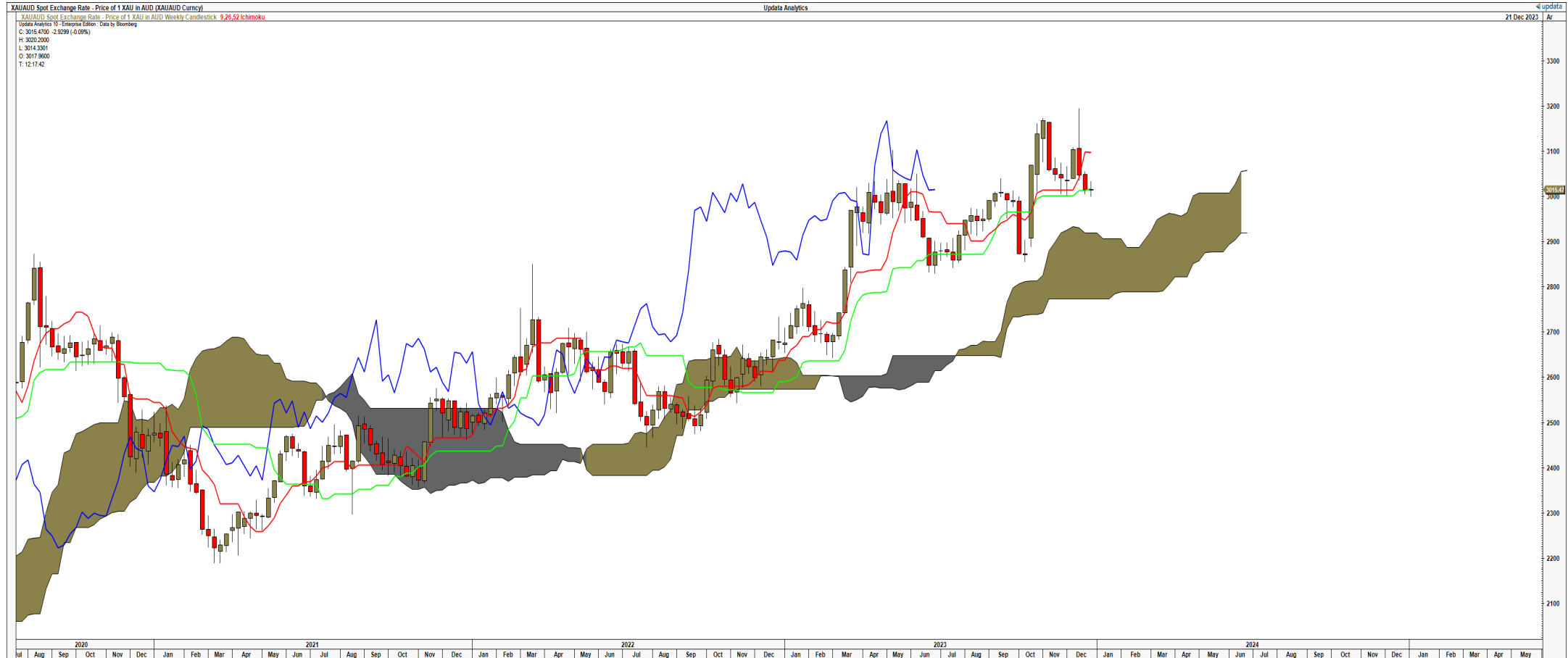
# Gold Point and Figure – Shorter Term

Short term positive but congestion around USD2040-2050 and expect the rally to struggle around the USD2054-2056 level in the near term.



# Gold in AUD via Weekly Ichimoku Cloud

XAUAUD: Gold in AUD bullish (above the cloud) but slipping below Standard Line support. If the price falls further, look for support at A\$2905.



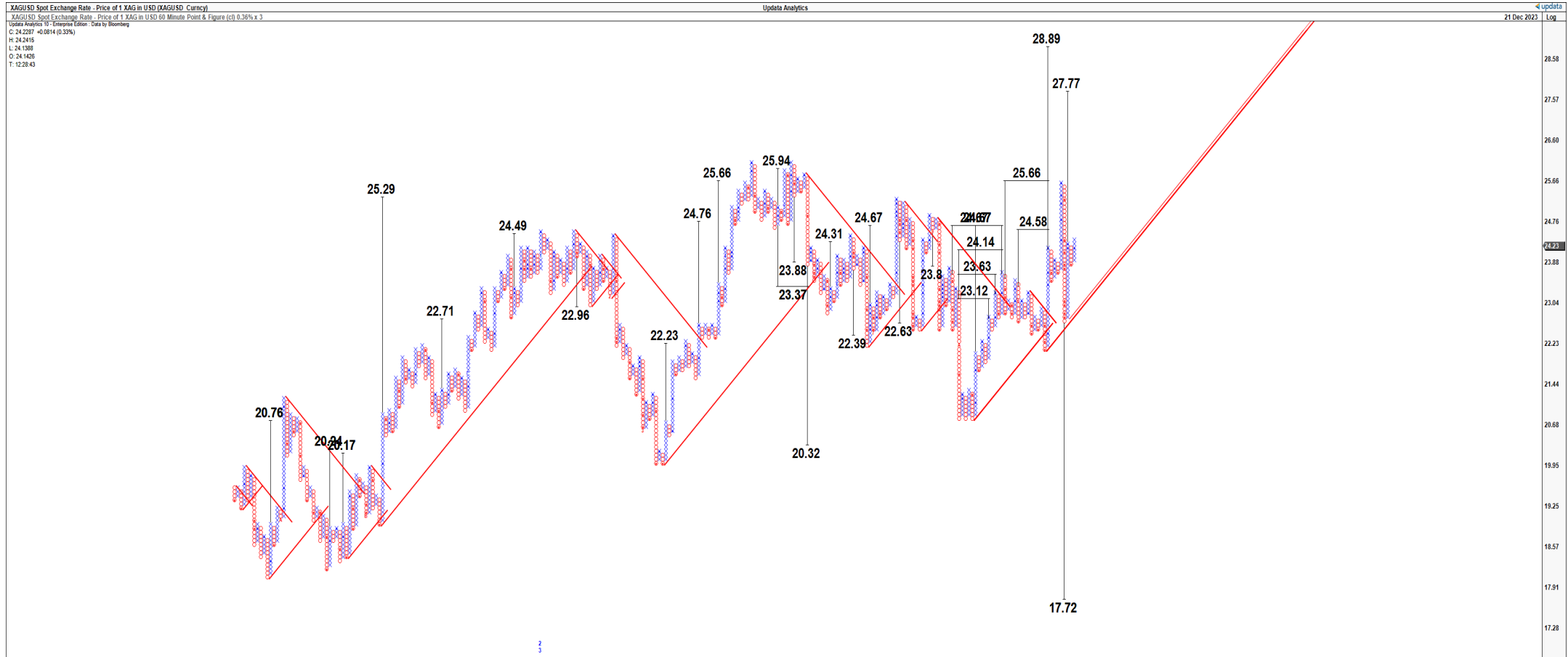
# Silver in USD via Weekly Ichimoku Cloud

Silver – choppy price action but above cloud top, possibly helped by copper and broadly optimistic take on growth in 2024.



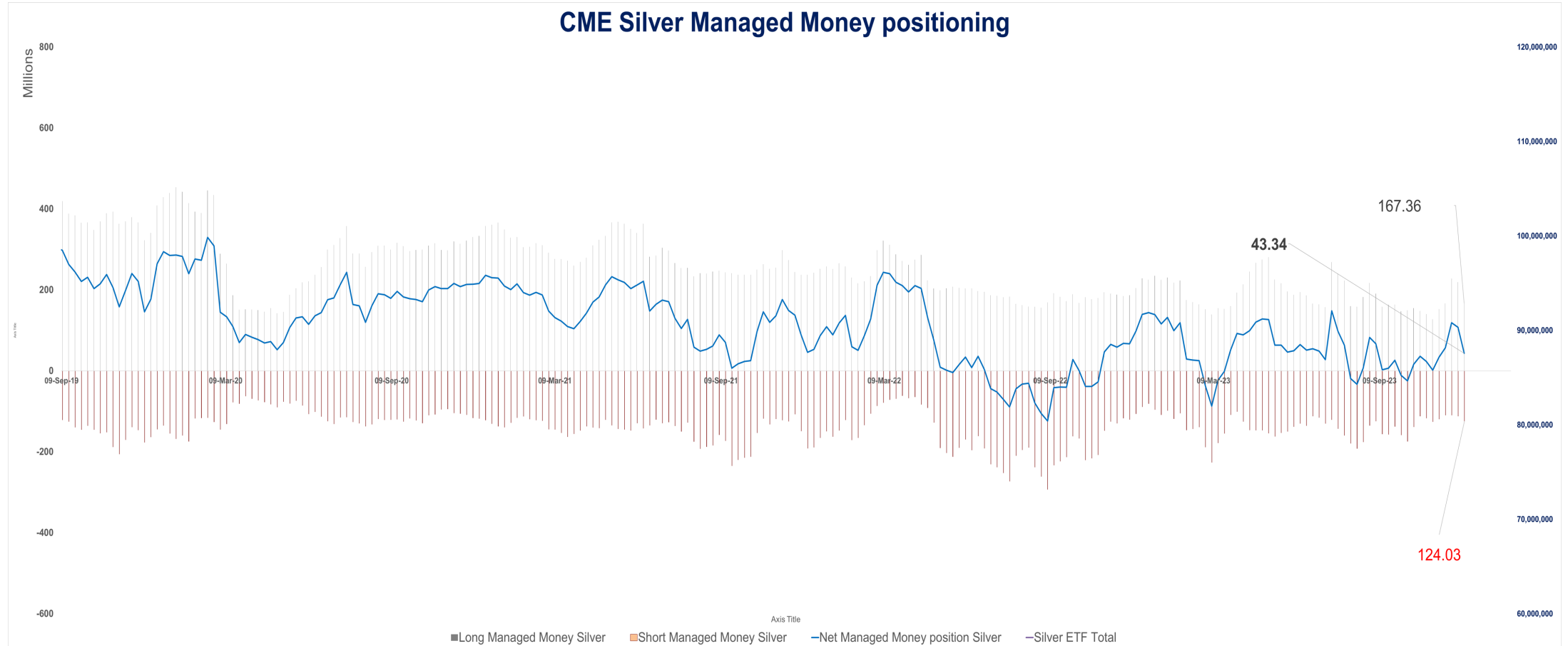
# Silver in USD – Medium term via Hourly Point and Figure

Silver: recent price action suggests a warning of lower for silver, despite the price remaining in an uptrend. Decent targets higher however a move back above the recent high would give more comfort and knock out the (recently created) target to USD17.72 below.



# Overview of Managed Money Positioning in Silver (Futures only)

Net positioning declines with a decent drop in Managed Money length and a rise in Managed Money shorts as the sector withdraws.



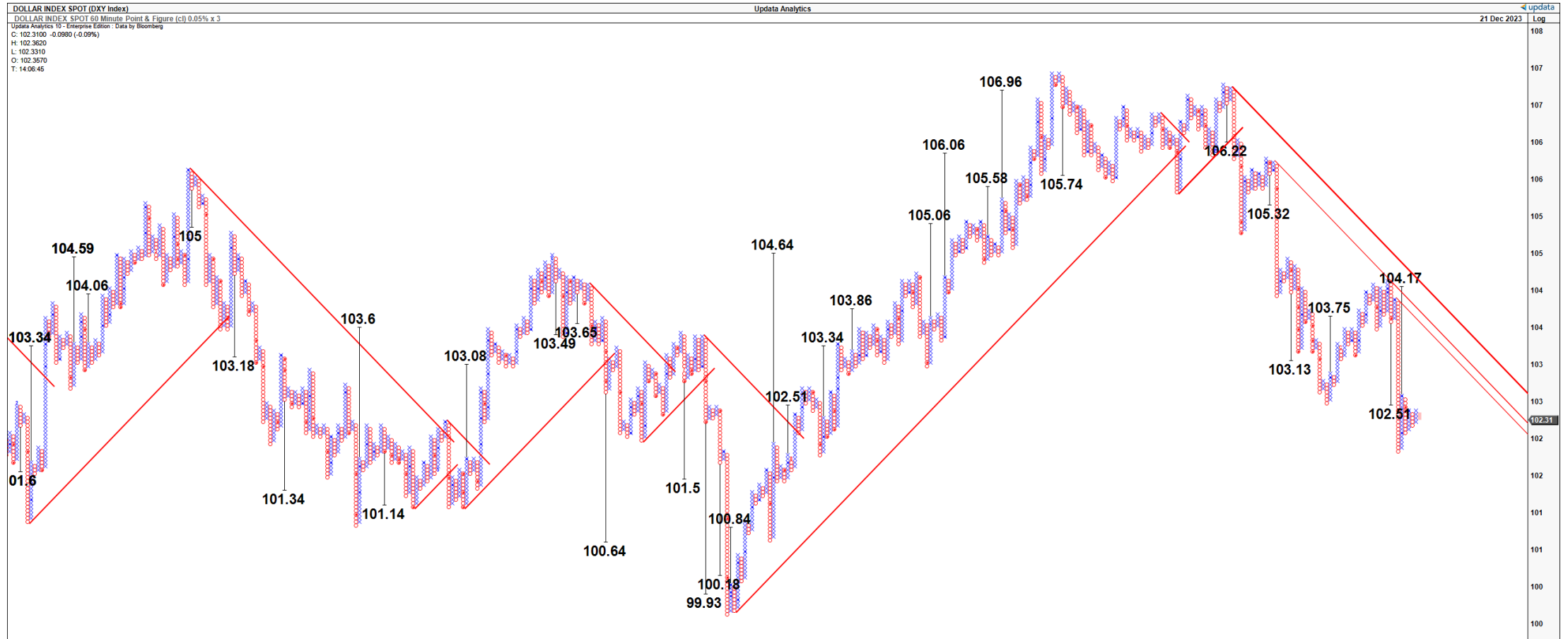
# The Dollar Index - DXY – via Weekly Ichimoku cloud

A beautiful weekly chart of the DXY showing how the rally of the broad dollar index was rejected at the 50 % retracement of the fall from the 2022 highs and near the Weekly Cloud top resistance. The price has dropped through the bottom of the cloud and the broad dollar remains bearish. Beware of the end of the 39-month low-to-low cycle soon?



# The Dollar Index – DXY – via Hourly Point and Figure

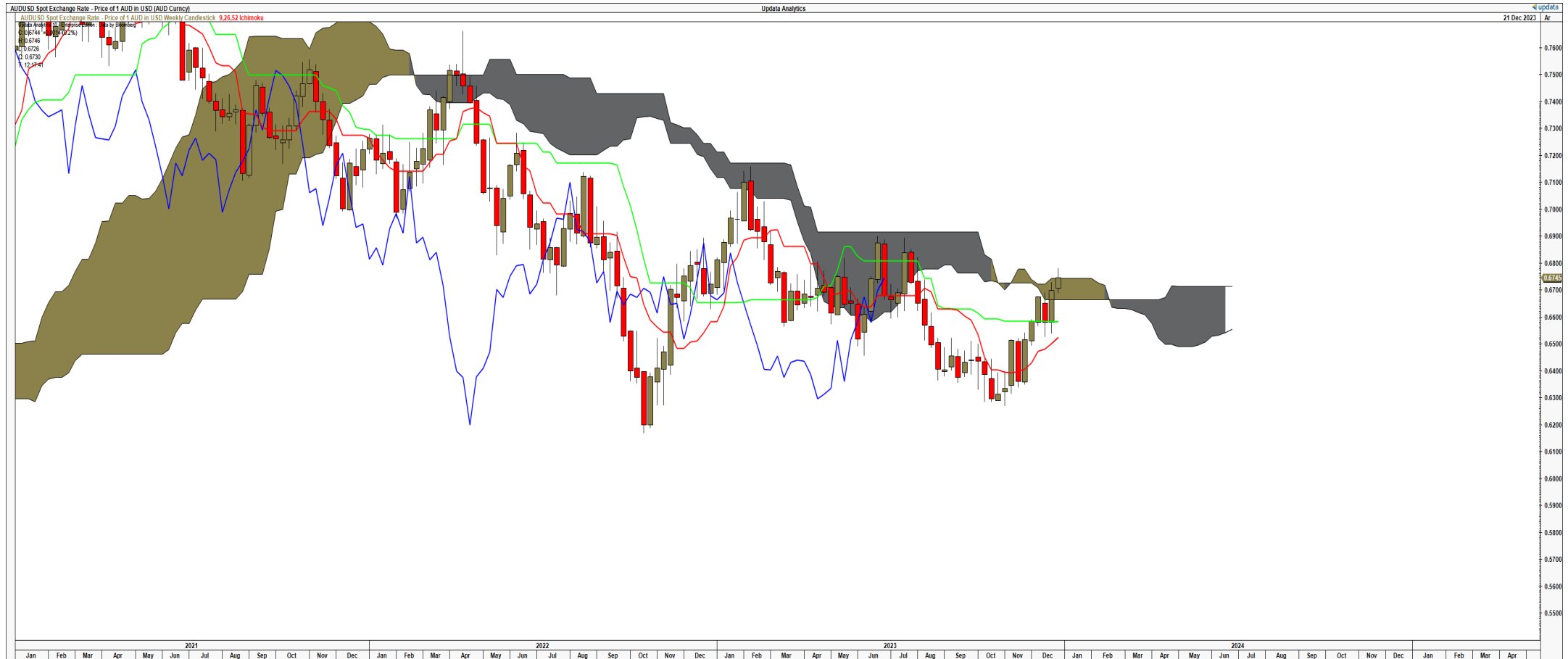
DXY bearish but scope for a rise back to trend line resistance above 104, possibly as a response to a re-appraisal of a generous interpretation of next year's expected policy rate declines.





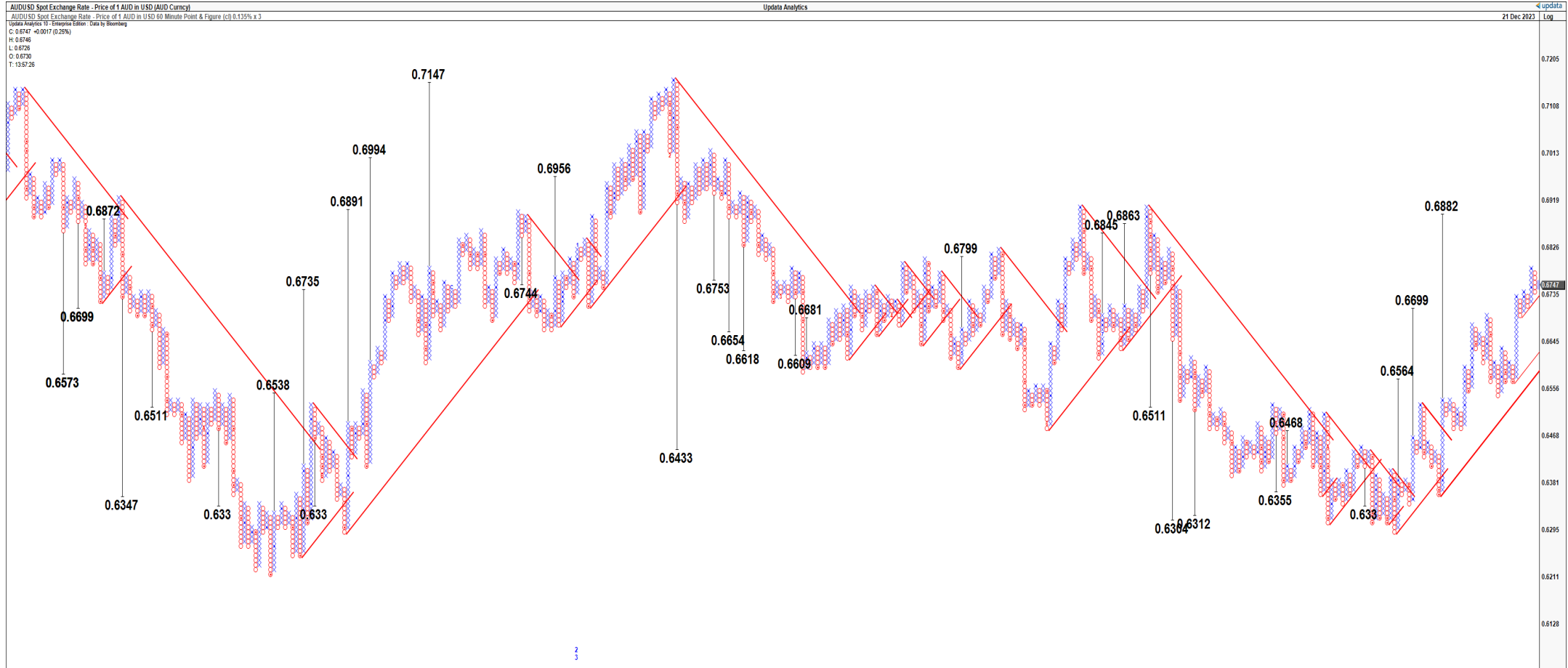
# AUD via Weekly Ichimoku Cloud

AUD helped higher by expectations of aggressive Fed cutting and possibility of one more rate rise by the RBA? The AUD has reached resistance at the Weekly Cloud top. Earlier forays to the cloud top have been rejected. Support via Ichimoku at 0.65825 and 0.6525.



# The AUD Hourly Point and Figure

AUD targets: after hitting the targets on the downside the AUD rolls back around



# Where to from here?

The tightening bias appears to have ended, with the argument now about how long rates remain at current levels. Currently expectations are for significant policy rate easing, at a time when financial conditions in the US appear relaxed, a combination that appears unlikely given the gap that the Fed must close if it is to meet inflation targets.

Technically, gold remains in a bullish trend on both daily and weekly time frames. Valuation models basis bond yields still suggest that gold is quite over-valued and current pricing vs inflation-adjusted yields looks like an outlier, unfashionable though it is to comment on this.

Geopolitical risk remains elevated – Middle East tensions adding to complexity and distractions. The Ukrainian counter-offensive appears to have culminated, and China appears to be testing the Philippines near the Second Thomas Shoal in the South China Sea.

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 2023 high	
\$2,135.00		
Support		
\$1,973.00	Weekly Ichimoku Standard line, 50 % retracement Oct-Dec. upmove 61.80 % retracement of October-December move Monthly Ichimoku cloud top	
\$1,935.00		
\$1,779.00		

## Targets

Upside		Probability
\$2,395.00	Basis 1 % Daily Point and figure	28.00%
\$2,190.00	Basis 1 % Daily Point and figure	48.00%
\$2,190.00	Basis 1 % Daily Point and figure (3 months)	22.60%

## Targets

Downside		Probability
\$1,855.00	Basis Hourly Point and figure 0.191 % optimised for volatility	15.00%

All target probabilities basis spot: **\$2,037.00**  
for 1 year (or shorter as indicated) and created by solving for option delta on the Bloomberg OVML function for XAUUSD

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