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ABC Refinery Monthly Precious Metals Technical Analysis Report

May 2024

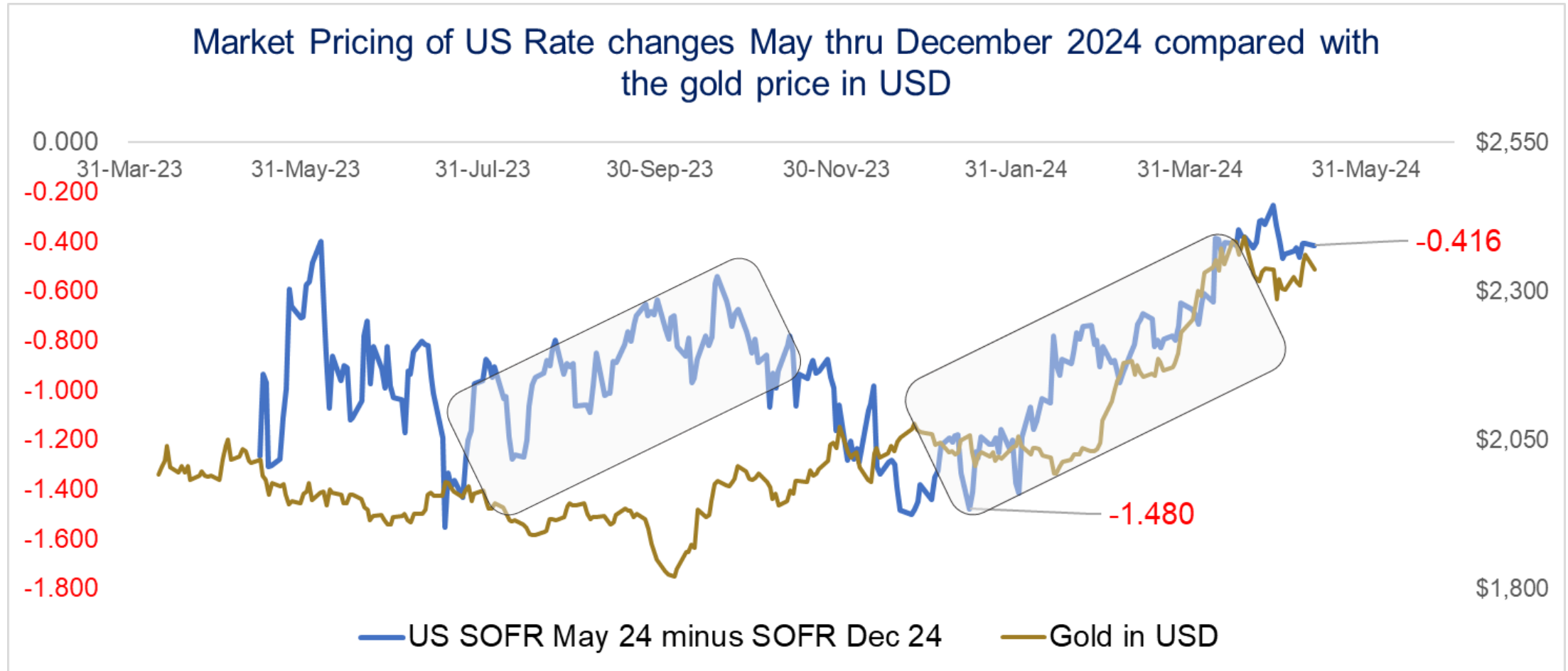
Gold - In Brief

Welcome to the June 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 and wider macro themes. This report will be slightly shorter than previous ones, and hopefully more reader-friendly in the process.

- Gold:** Since my last report (unfortunately delayed by busy markets and an inability to type like a dervish) has made new highs, helped by a combination of high physical demand (Q1 demand in China via SGE Withdrawal data = 522 mt) and strong buying via the CME Managed Money Futures and options category in particular.
- Macro themes:** Market pricing of expected rate cuts anticipates 'around' 2 rate cuts between now and December, but got as low as pricing one cut, on April 29th, which did not deter gold. The USD looks positive based on expectations of a persistent yield gap and technicals. The USD story is also one of safe-haven demand, helping explain the co-movement of the USD and gold. Real imbalances persist. The huge (and under-reported in terms of data) Chinese Manufactured goods surplus, and 'higher for longer' at the Fed suggest a riskier environment for assets going forward, and this can be part of a gold-positive environment.
- China:** Property prices continue to fall. 'Personal Mortgage' data is down 41 % YoY. It is estimated that the PBOC used about 25-30 billion USD per month to support the Yuan in recent months, via proxy data on intervention. New social financing decreased by around 200 billion Yuan (27.6 billion USD) in April, the first such decrease since October 2005, almost two decades ago.
- Japan:** Some doom-laden predictions for the JPY as it sinks in that the JGB market really can't disappear under the bus, so given the very limited scope for tightening, it's the Yen that gets pushed under instead. With the yield gap persisting, the fundamentals remain weak EVEN if USDJPY 160-161 does look like a good support level for the JPY for now.
- Summary:** Gold benefitting from Chinese demand, (weak alternatives) Asian demand (local currency pressure as the USD presses on) and some option hedge-related flows that can clearly work in both directions, depending on how close the market strays toward those strikes.

Market pricing of expected Fed rate cuts

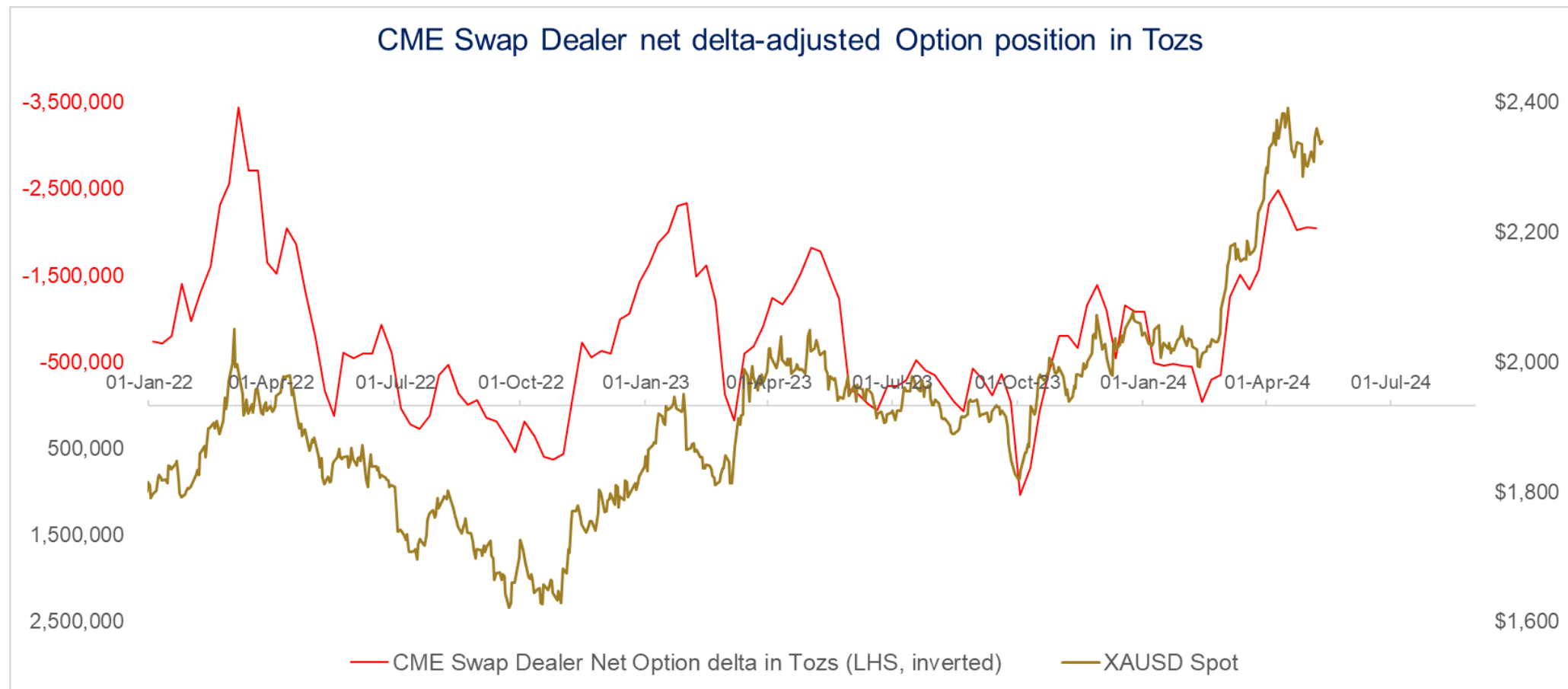
Gold is shrugging off the re-pricing of policy rate expectations, possibly because the US dollar and gold are acting together as safe-havens, particularly as the JPY finds a diminished role in that category? Note the behaviour of gold during the prior phase of changing expectations in July through to September 2023.



Source: ABC Refinery, Bloomberg, CME

Spot gold and CME option position – via implied Delta

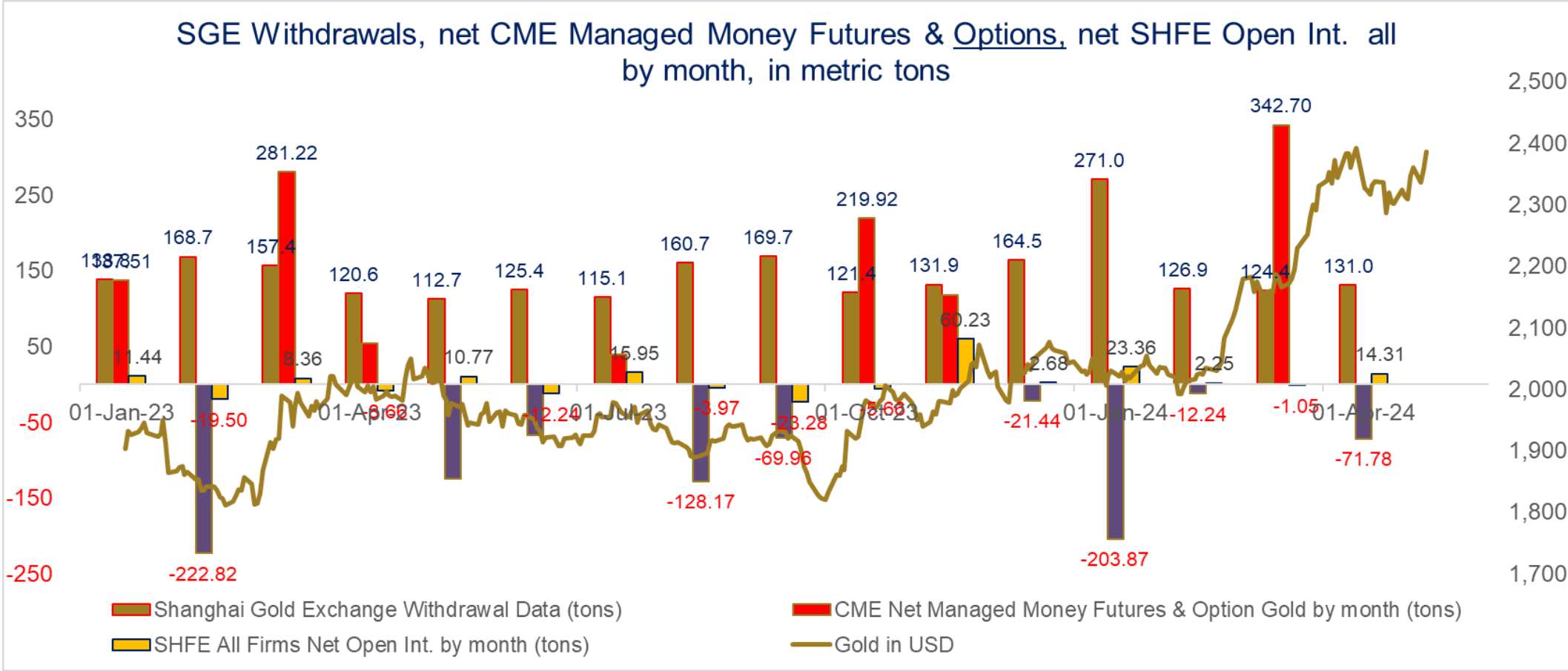
If you want a really good-looking fit on the variable that helps explain the rapidity of gold's move higher in March, look at the CME Swap Dealer category net option position, as this category will hedge changes in exposure in the underlying asset, and is likely a reasonable proxy for OTC exposure. The SD position has been higher before, but there is talk of more exposure created by OTC products (possibly notes with some embedded optionality?) in Q1. Obviously, that's just "anecdotal" right now.



Source: ABC Refinery, Bloomberg, CME

Physical demand

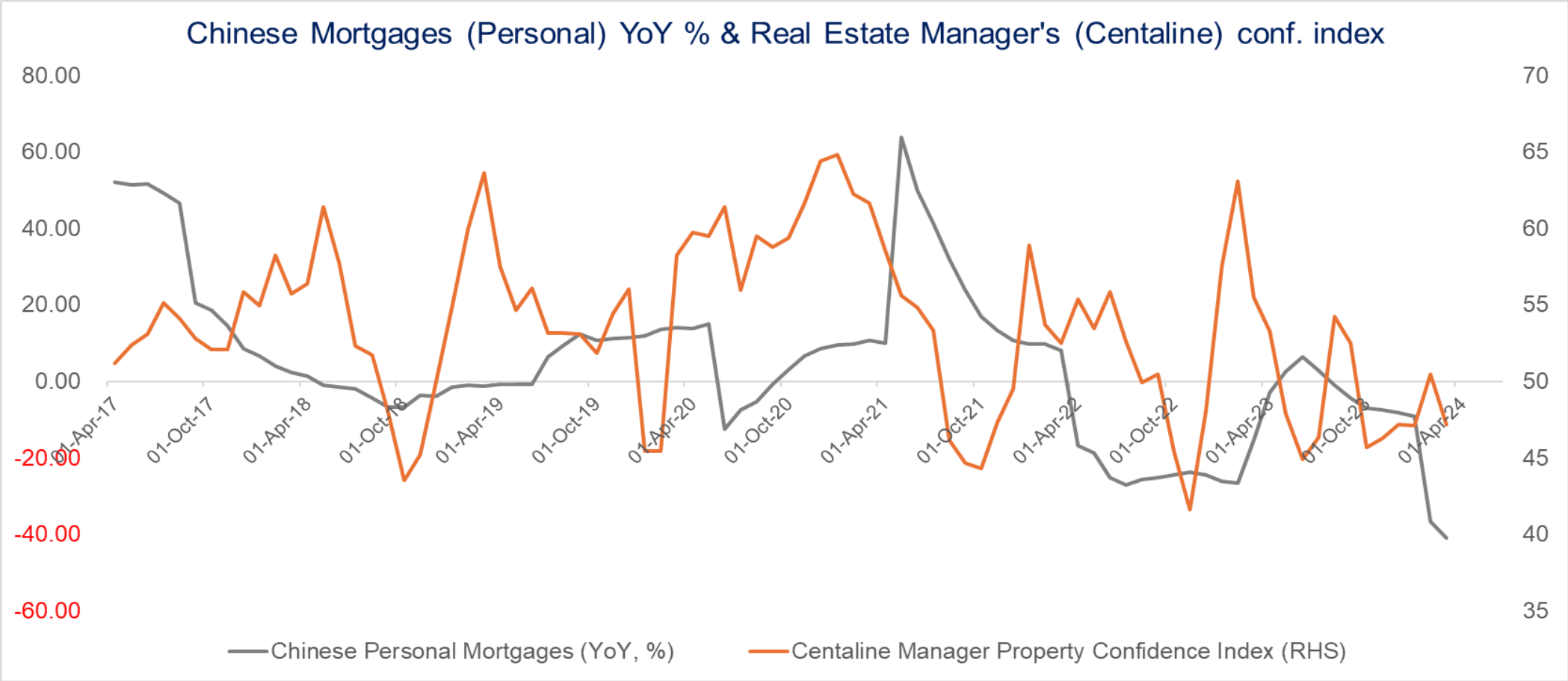
I have bucketed the weekly CME date into 'monthly' buckets. Its not perfect as the reporting dates go Tuesday-to-Tuesday but makes it easier to view in aggregate. The net SHFE flows are not as exciting as some commentators have made out, partly because they chose to only look at 'Long' broker Open interest,, not 'Net' broker Open Interest?



Source: ABC Refinery, Bloomberg

Chinese Property

Chinese mortgage demand falling along with the Centaline (a big real estate broker) confidence index. Chinese new builds or ‘Off plan’ purchase are struggling more than existing homes, so the picture is more nuanced and implies particular concerns over the credit quality of Chinese RE firms, nonetheless, I expect property to remain a drag on the domestic economy.



Source: ABC Refinery, Bloomberg

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

Gold: long liquidation from the Managed Money sector and some small shorts (established well below the current contract price. Gold ETFs continue to bleed lower.

Volume-weighted Average Price - GC

Published 13 May 2024

Week ending on:	Weekly Change in Managed Money Positions (Futures only)			
	US\$ VWAP	Longs	Shorts	Net change
Tuesday, 7 May 2024	\$2,315.16	-707,300	185,500	-892,800
Tuesday, 30 April 2024	\$2,341.17	-454,700	256,500	-711,200
Tuesday, 23 April 2024	\$2,382.32	649,000	-91,300	740,300
Tuesday, 16 April 2024	\$2,378.18	-470,700	228,900	-699,600
Tuesday, 9 April 2024	\$2,323.92	154,400	689,200	-534,800
		-829,300	1,268,800	-2,098,100

40% 60%

Gold ETF Change in position	-1,208,981
Total change over period	-3,307,081

Volume-weighted Average Price - PLA

Published 13 May 2024

Week ending on:	Weekly Change in Managed Money Positions (Futures only)			
	US\$ VWAP	Longs	Shorts	Net change
Tuesday, 7 May 2024	\$964.58	214,050	-221,950	436,000
Tuesday, 30 April 2024	\$930.78	-147,000	-183,250	36,250
Tuesday, 23 April 2024	\$946.85	-446,100	325,200	-771,300
Tuesday, 16 April 2024	\$989.51	44,700	115,100	-70,400
Tuesday, 9 April 2024	\$953.40	338,000	-291,450	629,450
		3,650	-256,350	260,000

1% 99%

Platinum ETF Change in position	176,757
Total change over period	436,757

Volume-weighted Average Price - SI

Published 13 May 2024

Week ending on:	Weekly Change in Managed Money Positions (Futures only)			
	US\$VWAP	Longs	Shorts	Net change
Tuesday, 7 May 2024	\$26.93	-4,750,000	-6,290,000	1,540,000
Tuesday, 30 April 2024	\$27.39	-21,090,000	6,445,000	-27,535,000
Tuesday, 23 April 2024	\$28.10	-1,925,000	2,060,000	-3,985,000
Tuesday, 16 April 2024	\$28.52	4,200,000	-13,595,000	17,795,000
Tuesday, 9 April 2024	\$27.08	8,710,000	-7,940,000	16,650,000
		-14,855,000	-19,320,000	4,465,000

333% 433%

Silver ETF Change in position	-35,007,134
Total change over period	-30,542,134

Volume-weighted Average Price - PAA

Published 13 May 2024

Week ending on:	Weekly Change in Managed Money Positions (Futures only)			
	US\$ VWAP	Longs	Shorts	Net change
Tuesday, 7 May 2024	\$955.05	44,000	39,900	4,100
Tuesday, 30 April 2024	\$984.51	-44,200	167,300	-211,500
Tuesday, 23 April 2024	\$1,025.70	6,900	27,400	-20,500
Tuesday, 16 April 2024	\$1,060.08	-58,200	-64,200	6,000
Tuesday, 9 April 2024	\$1,028.75	45,300	-65,800	111,100
		-6,200	104,600	-110,800

6% 94%

Palladium ETF Change in position	25,946
Total change over period	-84,854

Weekly Ichimoku Cloud Chart

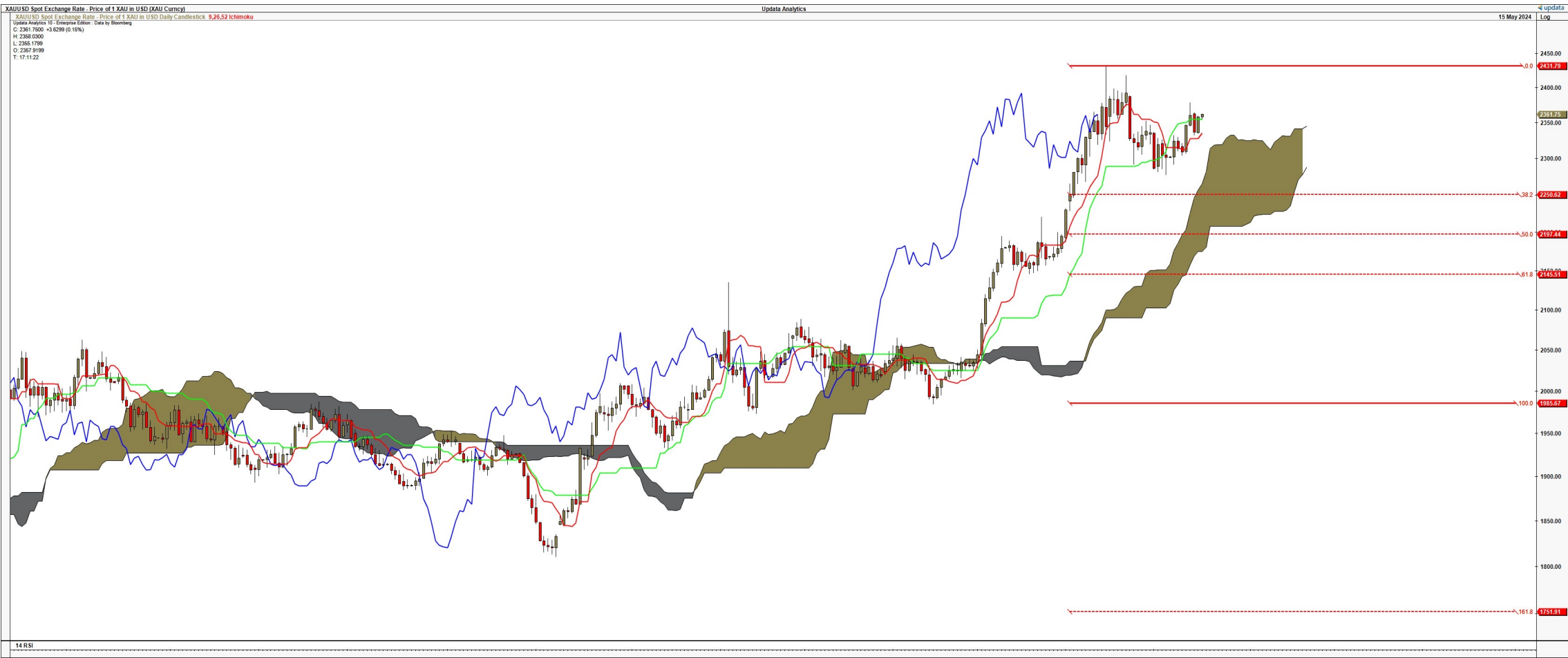
Bullish configuration above the Weekly Cloud top. Look to the Weekly Standard and Turning lines for support, with recent support at the red Turning line.



Source: ABC Refinery, Bloomberg, Uptada Charts

Daily Ichimoku Cloud Chart

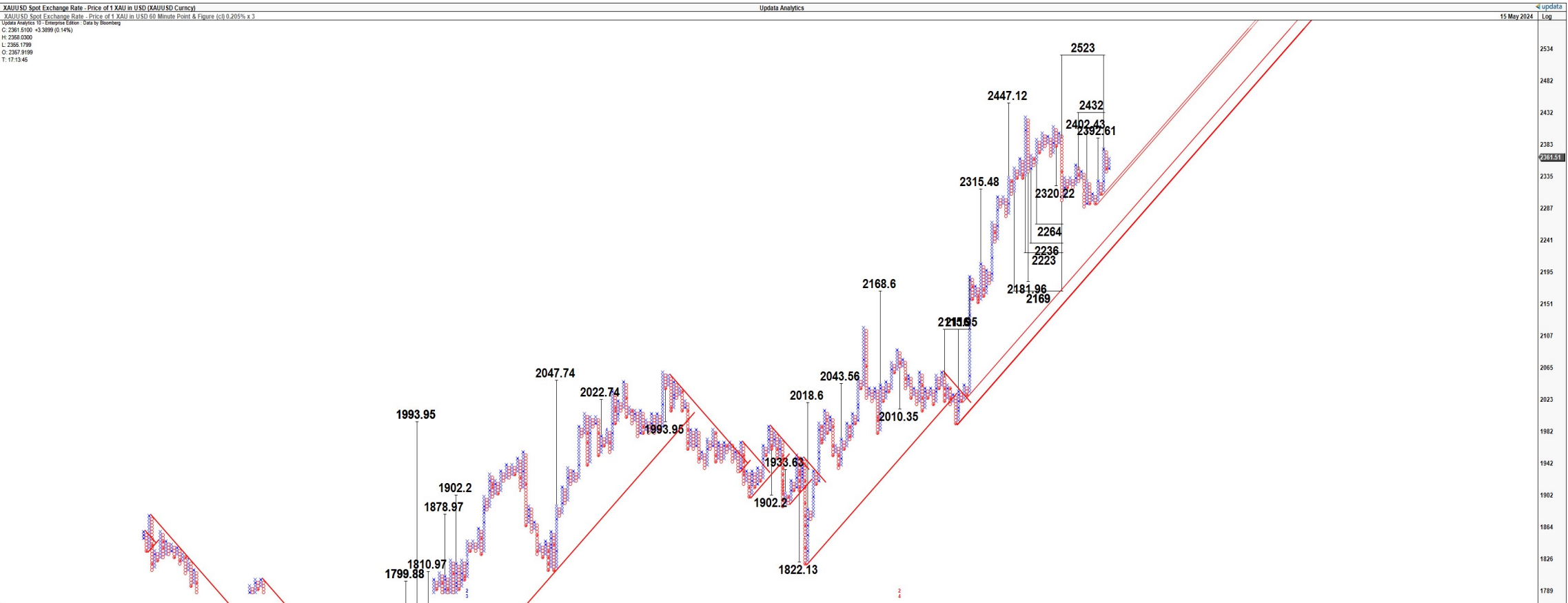
Gold in USD – bullish configuration with the price above the cloud: cloud support comes in next week around USD2320. Fib support at USD2250 and USD2197.



Source: ABC Refinery, Bloomberg, Udata Charts

Gold Hourly Point and Figure – Medium Term

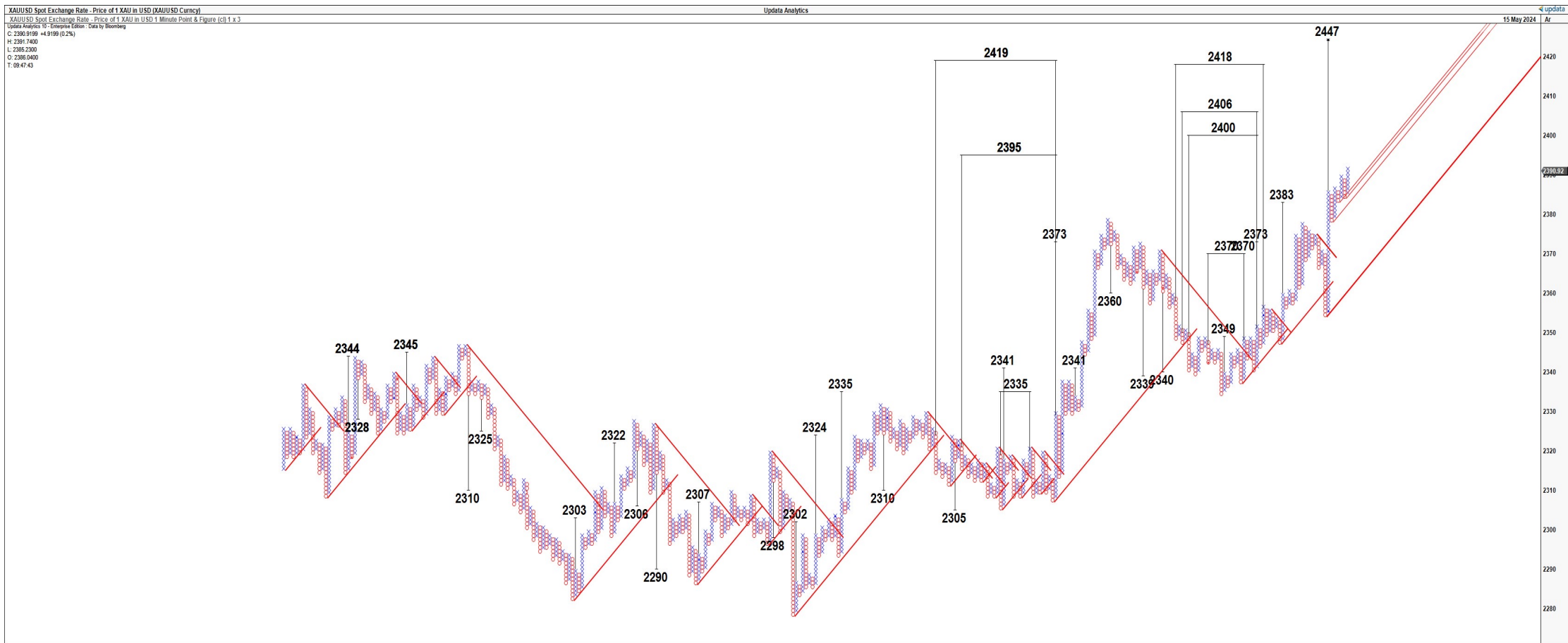
Gold: the distributive price action of the last month has created some significant targets to the downside, allowing for a move to the 50 % retracement of the recent rally (from the 14th Feb lows.)
On the upside, scope for the recent high to be taken out.



Source: ABC Refinery, Bloomberg, Updata Charts

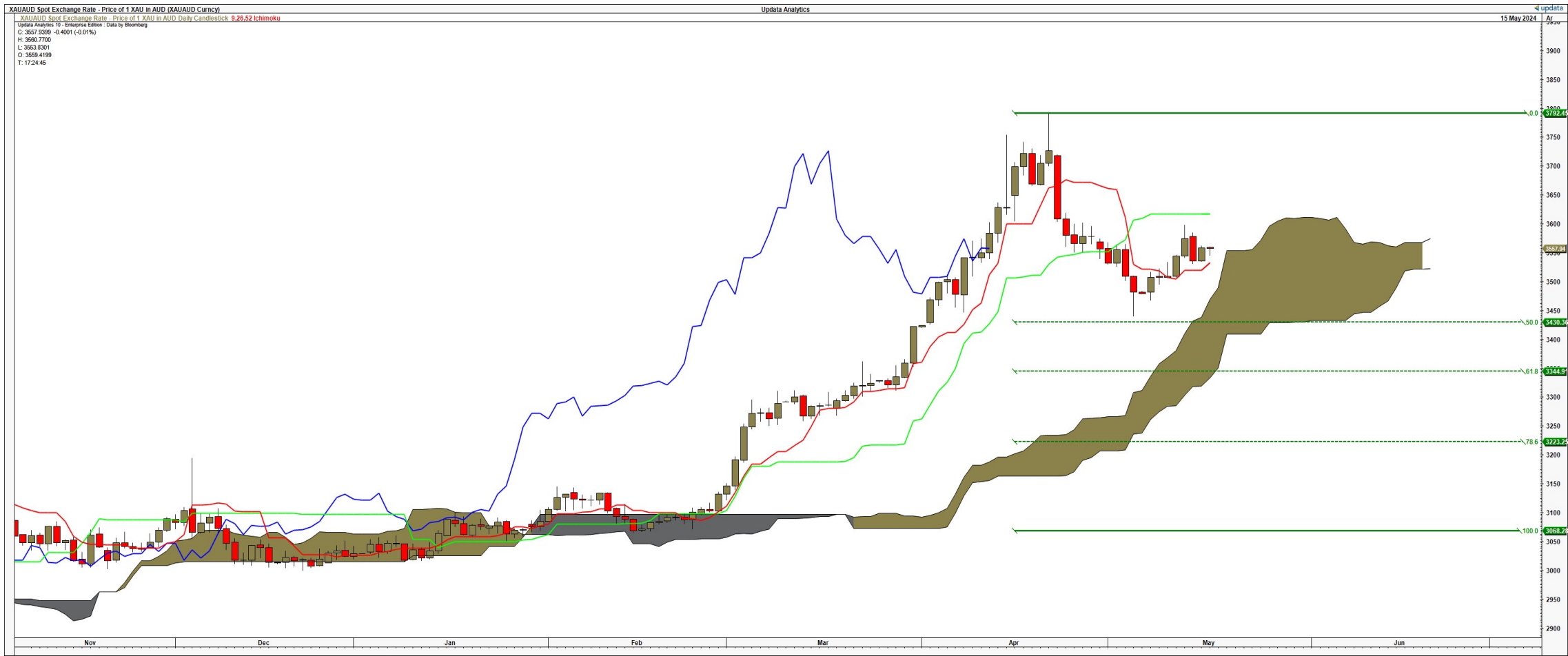
Gold Point and Figure – Shorter Term

Nice rounding action with multiple upside targets – a move below USD2330 would knock out those upside targets, but so far market is looking for positives.



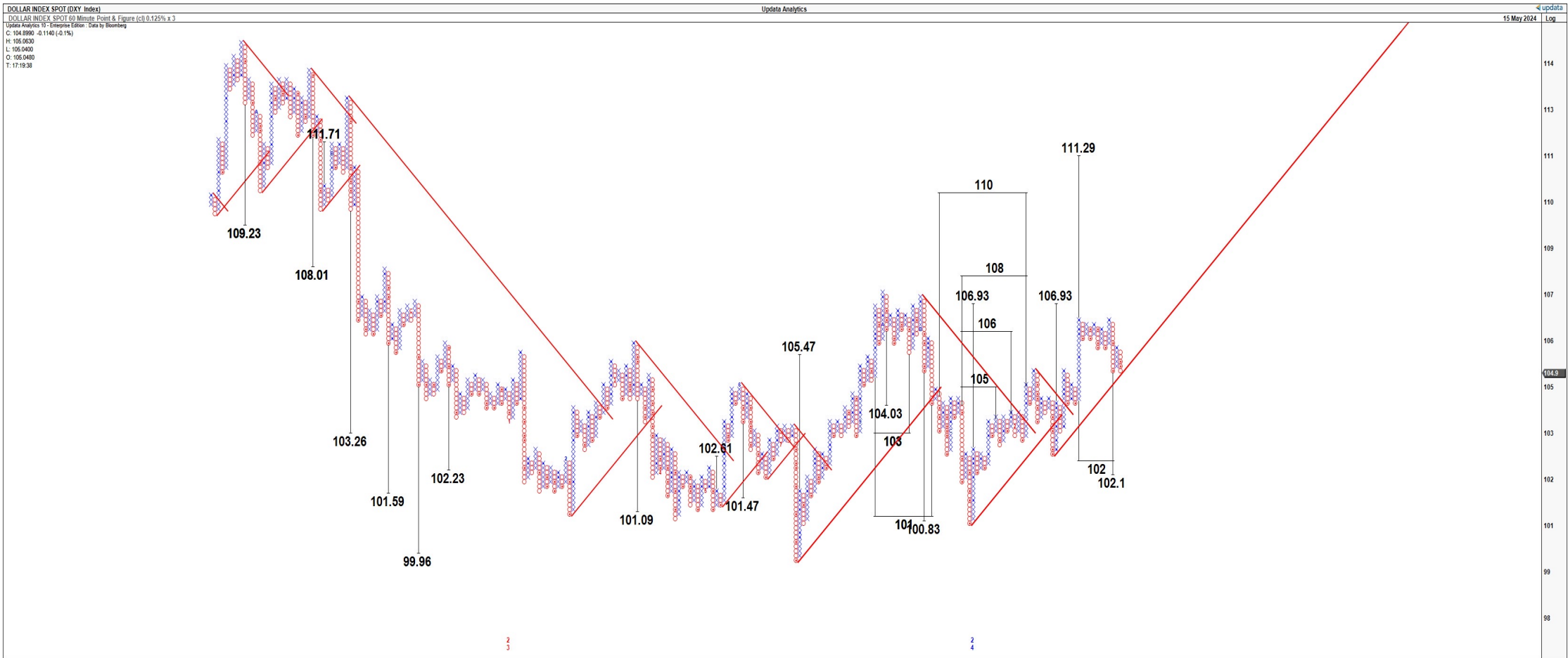
Gold in AUD via Daily Ichimoku Cloud

XAUAUD: Gold in AUD bullish (above the cloud) 50 % Fib level held, and now looking like it will interact with the Daily cloud top soon.



The Dollar Index – DXY – via Hourly Point and Figure

DXY holds the recent trendline. Decent upside targets, limited downside ones.



Where to from here?

Gold seizes and opportunity from bullish news. Yesterday's CPI data which came in 'as expected' annualizes to 3.67 %, for example, which does not imply an easing Fed based upon current data.

Higher rates for longer creates its own risk dynamic

Expect volatility to remain fairly high, with gold benefitting from safe-haven flows and possible local currency depreciation fears.

Please see the adjacent box for supports, resistances and targets created from various Point and Figure charts.

Physical demand remains broadly steady.

Best regards,
Nick Frappell - Global Head Institutional Markets, ABC Refinery

Resistance		
\$2,580.00	Unachieved target: Daily Point and Figure (20 USD box, high/low chart) target on Daily Point and Figure 1 %h/l) adjacent to recent 2024 high	
\$2,431.00		
Support		
\$2,288.00	Weekly Ichimoku Turning Line	
\$2,198.00	Weekly Ichimoku Standard line	
\$2,120.00	Monthly Ichimoku Turning Line	
Targets		
Upside		Probability
\$2,580.00	Basis 1 % Daily Point and figure	47.00%
\$2,523.00	Basis 0.205 % 60 min Point and figure (3 month horizon)	32.00%
\$2,447.00	Basis 0.205 % 60 min Point and figure (3 month horizon)	46.00%
Targets		
Downside		Probability
\$2,180.00	Basis Daily Point and Figure (20 USD box, high/low chart)	14.00%
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		\$2,394.00

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