

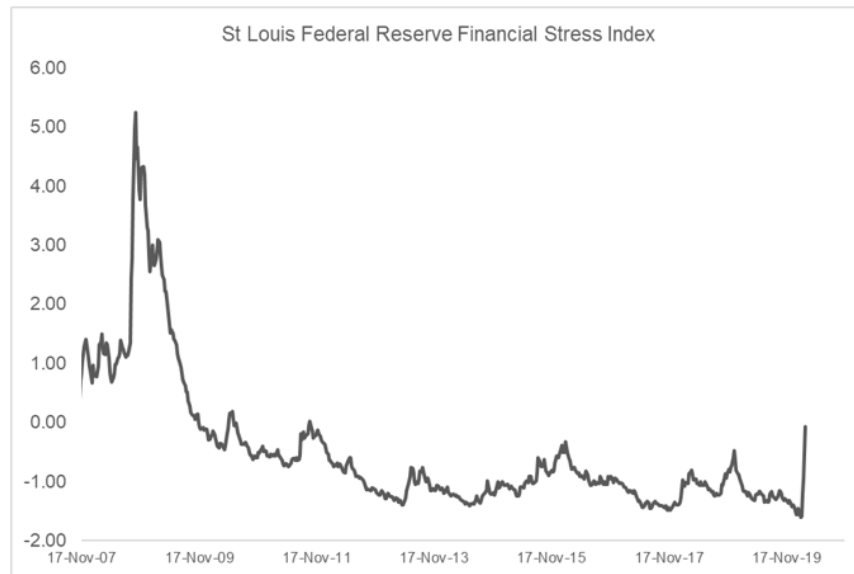
ABC Bullion Monthly Precious Metals Technical Analysis Report

August 2020

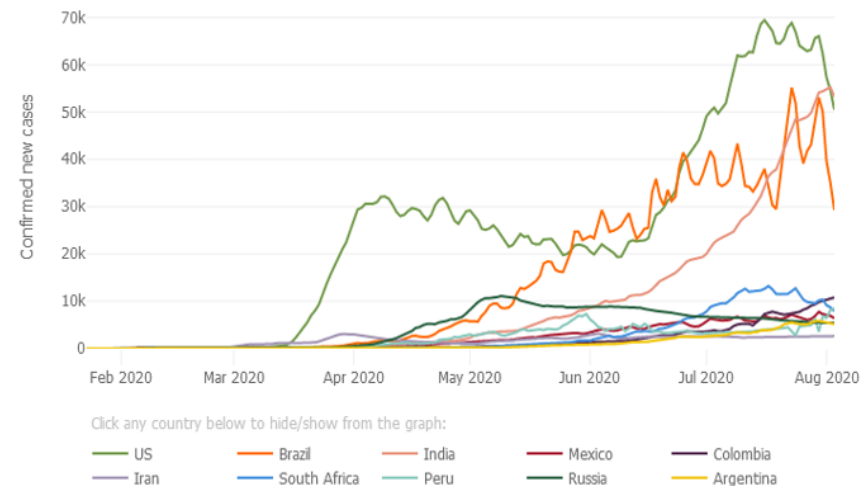
Gold – In Brief

An enormous month for gold in July, with USD gold closing **US\$202** above the open. The rally was fuelled by (apparent) economic pessimism, accompanied by declining real rates, and rapid weakening of the Dollar. (The Dollar index opened at 97.387 and has made a low at the end of July of 92.546, close to a long-term target of 92.176.)

Measures of financial stress rose, along with signs of a weakening jobs market in the US. Infrequent and lagging data reports implied a stronger recovery, whilst high-frequency data told a story of a muted or stagnating recovery. For example, data from the TSA shows passenger throughput languishing at or below the 500,000 per day mark, compared with 2019 numbers of circa 2,500,000. Google Trends shows a notable rebound in the search term 'unemployment benefits' reaching 42% of the April high.



Bloomberg, CME, ABC Bullion



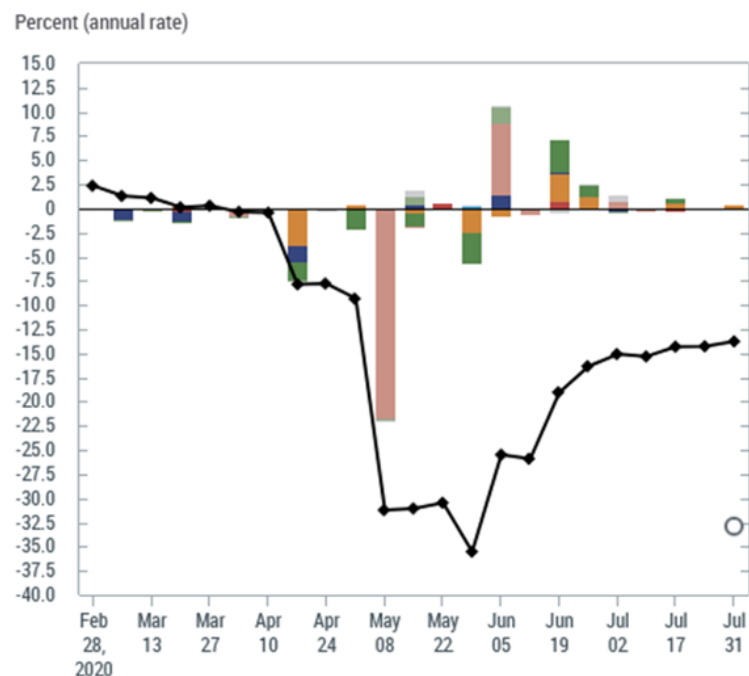
Johns Hopkins Coronavirus Resource Center

The rate of coronavirus infections has picked up sharply in America, and this has acted as a proxy for the pace of economic recovery, and the principal determinant of FX outcomes, helping to explain the Dollar's rapid decline. Data from Johns Hopkins shows a decline in the moving average of the infection rate going into August.

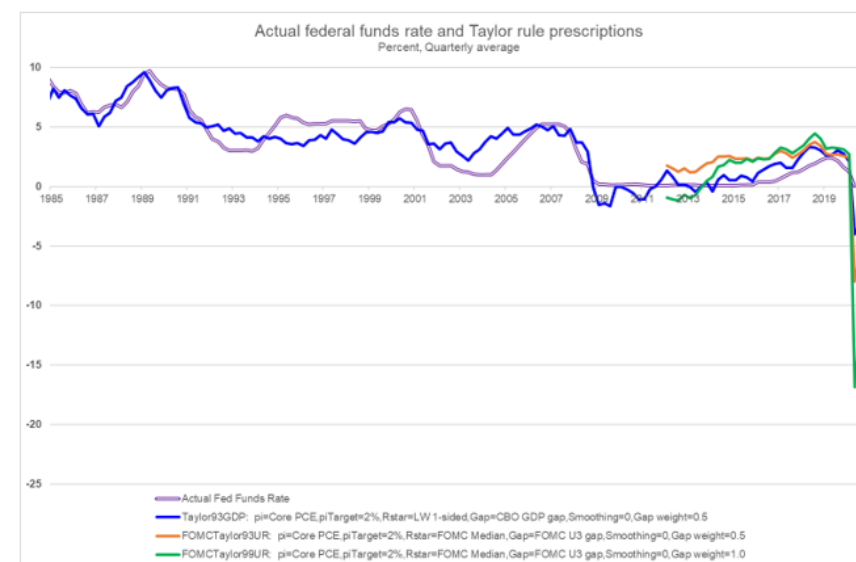
Money and Interest Rates

The Fed (and by extension other major central banks) continues to maintain an ultra-easy stance, with the Fed extending emergency support for an additional three months. Meanwhile, Congress has struggled to agree terms for further fiscal support and enhanced unemployment insurance payments stopped at the end of July, and the Fed is warning that with unemployment so high, stopping those payments will crunch aggregate domestic demand even further.

If you ever wonder why the Fed relies so heavily on balance sheet expansion and forward guidance, check out the Atlanta Fed's estimates of where Fed Funds 'should be' (right hand chart below) to promote growth in the economy, using a variety of Taylor Rules. The Fed Funds of course is locked at zero. On the left is the NY Fed's 'Nowcast' estimate of GDP contraction since February.



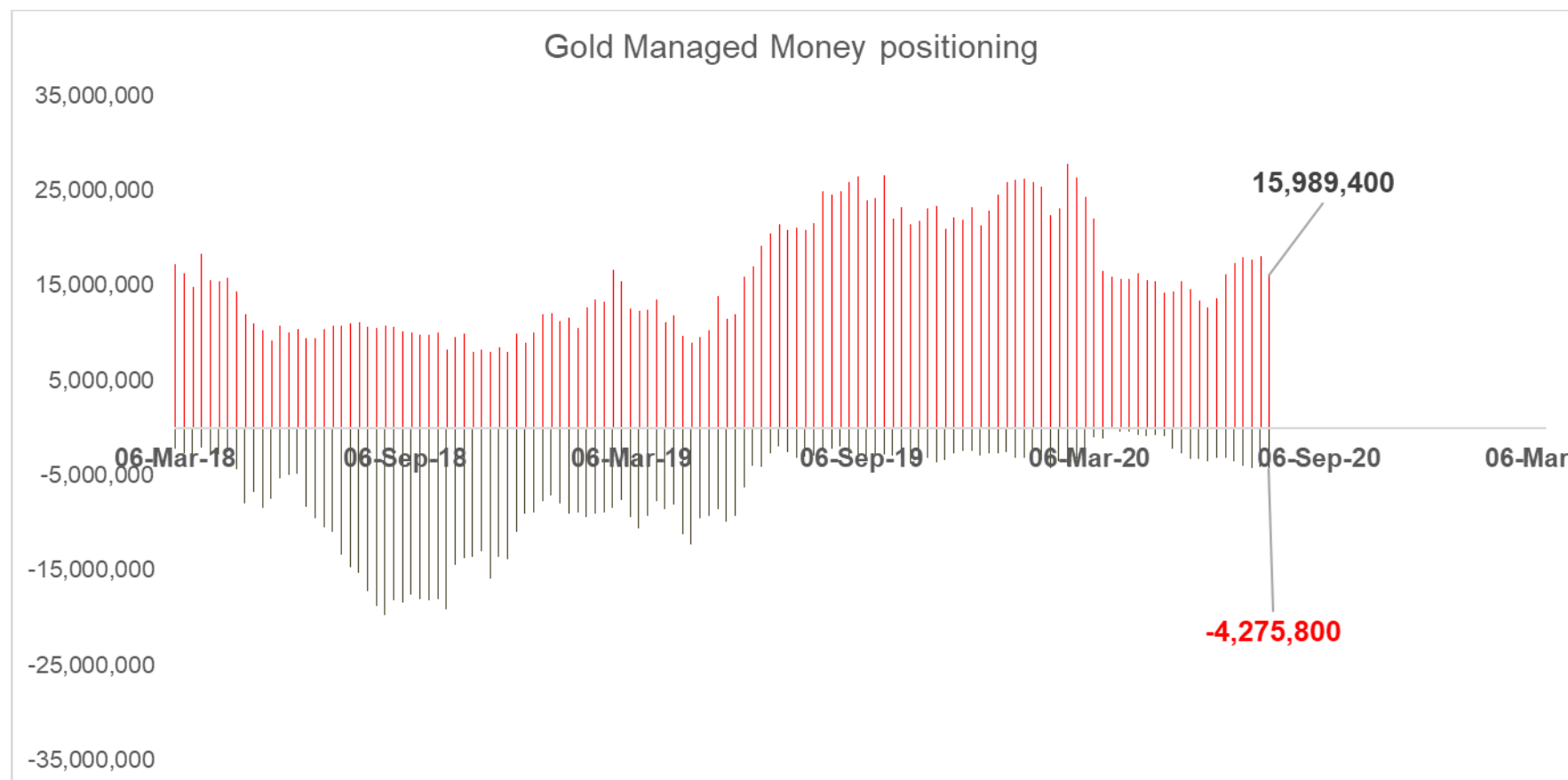
Source: FRBNY



Source: FRB Atlanta

Quick Overview of Managed Money Positioning in Gold

Managed Money gold longs decreased almost 12% in the week ending July 28th. Shorts increased marginally. Since the 28th, CME Open Interest has declined by about 3.90 million, and to some extent that should reflect the very substantial delivery of physical gold into the Comex Division.



Gold Positioning and Volume-Weighted Average Pricing

A substantial inflow over the month, particularly from the ETF side. Longs have got great averages especially with the leg up to almost US\$2,000 seen since the 27th of July.

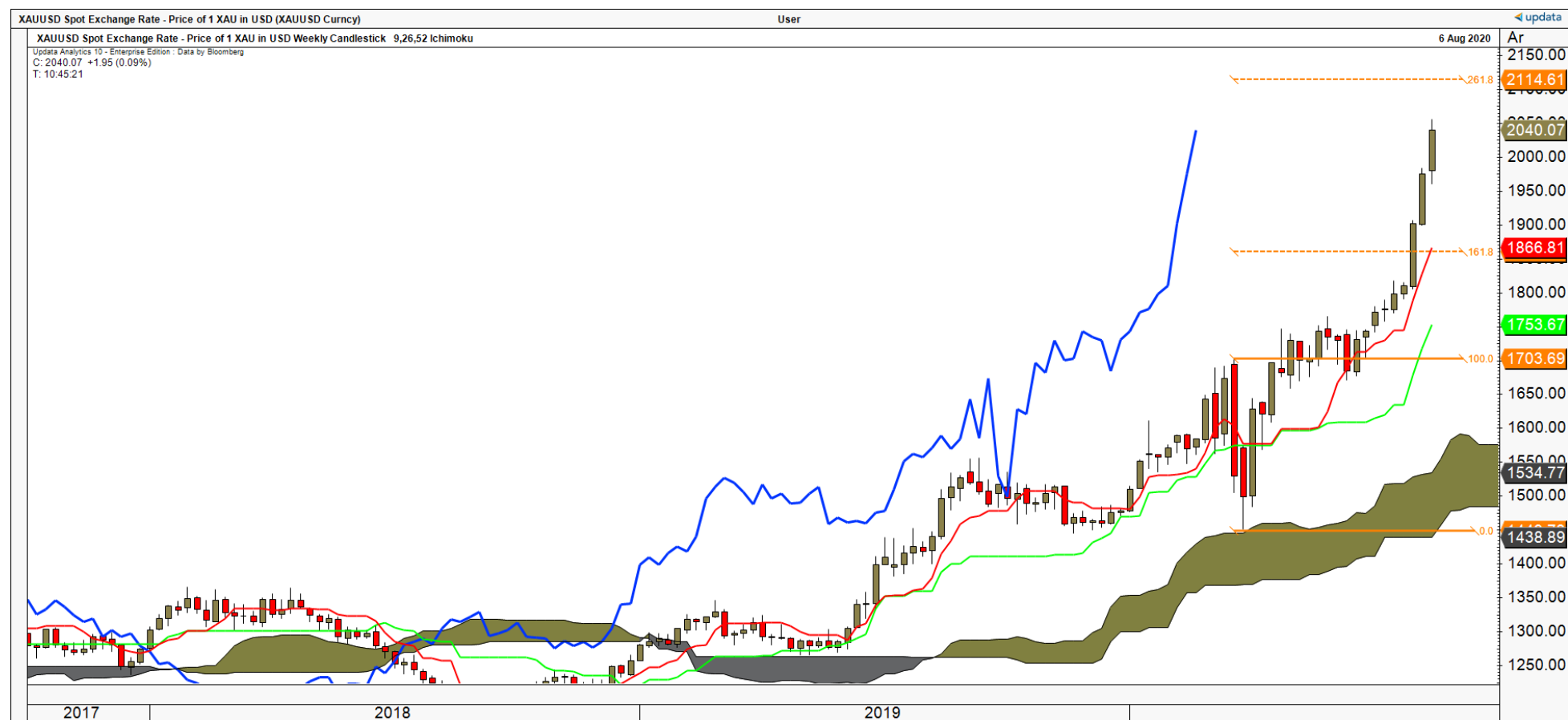
VWAP for the Week ending on: (Published 4th August)		Weekly Change in Managed Money Positions (Futures only)		
	US\$ VWAP	Longs	Shorts	Net change
Tuesday, 28 July 2020	\$1,892.71	-2,136,200	177,100	-2,313,300
Tuesday, 21 July 2020	\$1,814.33	385,600	-144,000	529,600
Tuesday, 14 July 2020	\$1,808.86	-241,000	196,000	-437,000
Tuesday, 7 July 2020	\$1,789.35	628,400	549,600	78,800
Tuesday, 30 June 2020	\$1,735.56	1,193,300	289,300	904,000
Tuesday, 23 June 2020	\$1,749.68	2,564,800	82,100	2,482,700
Tuesday, 16 June 2020	\$1,730.71	953,800	-397,300	1,351,100
		3,348,700	752,800	2,595,900
Gold ETF Change in position (Since July the 1st) FTozs				5,086,994
Total change over period				7,682,894

Weekly Ichimoku Cloud Chart

Great support from the Weekly Turning Line. Recent price moves look rather parabolic, which suggests caution.

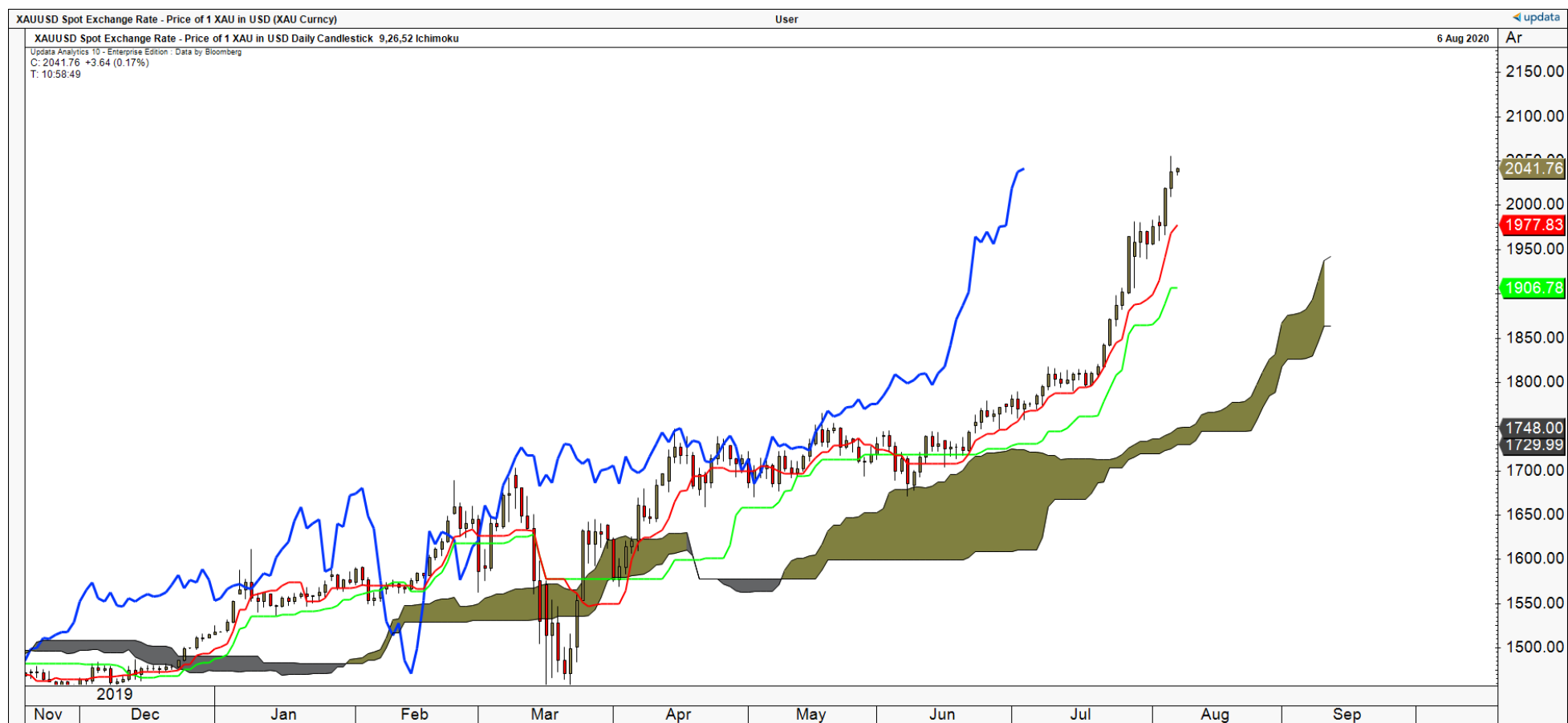
Target wise, US\$2,115 from the 2.618 Fibonacci projection of the move from the Weekly Cloud top.

Support at US\$1867 from the Weekly Turning Line, then US\$1754 from the green Standard Line.



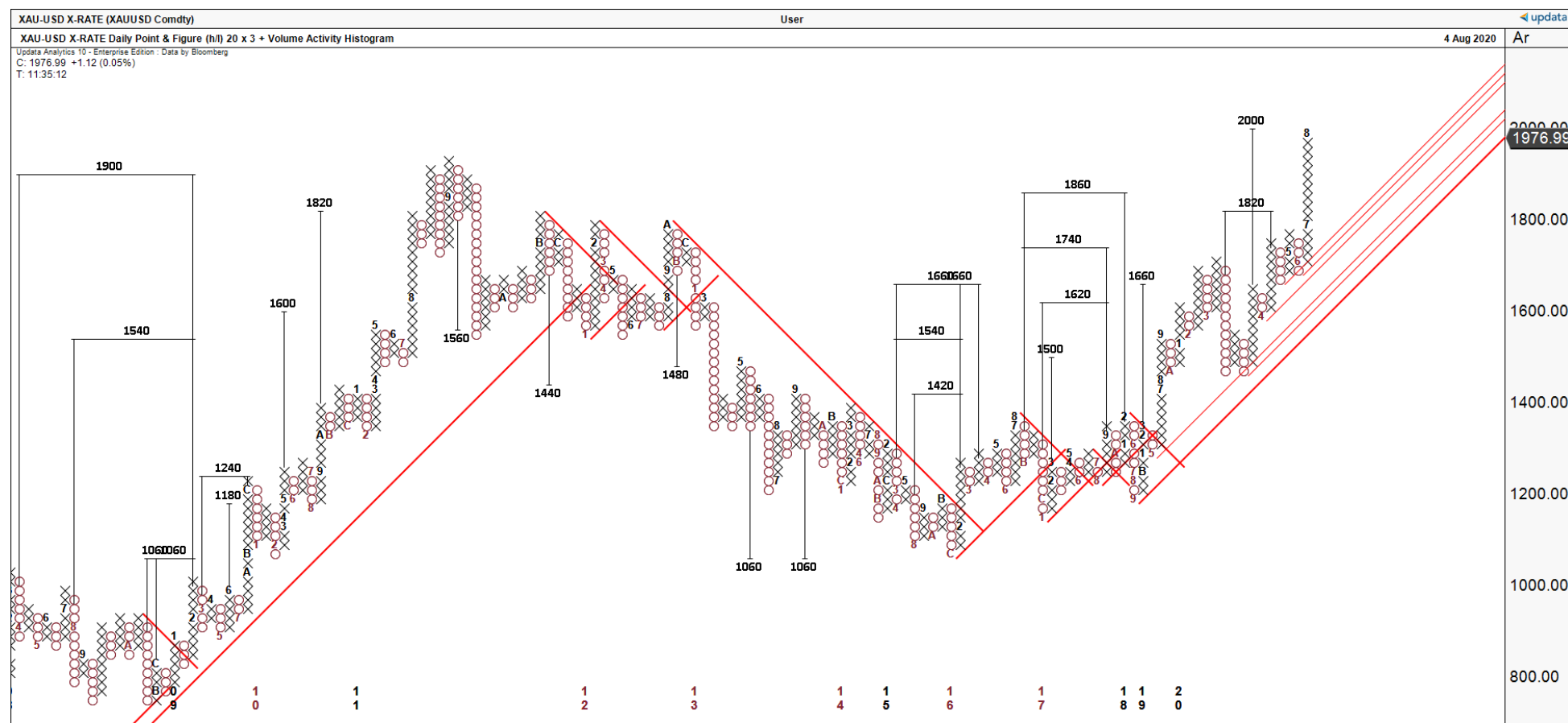
Daily Ichimoku Cloud Chart

Support at US\$1,977 and US\$1,907.



Gold Daily Point and Figure – Long Term

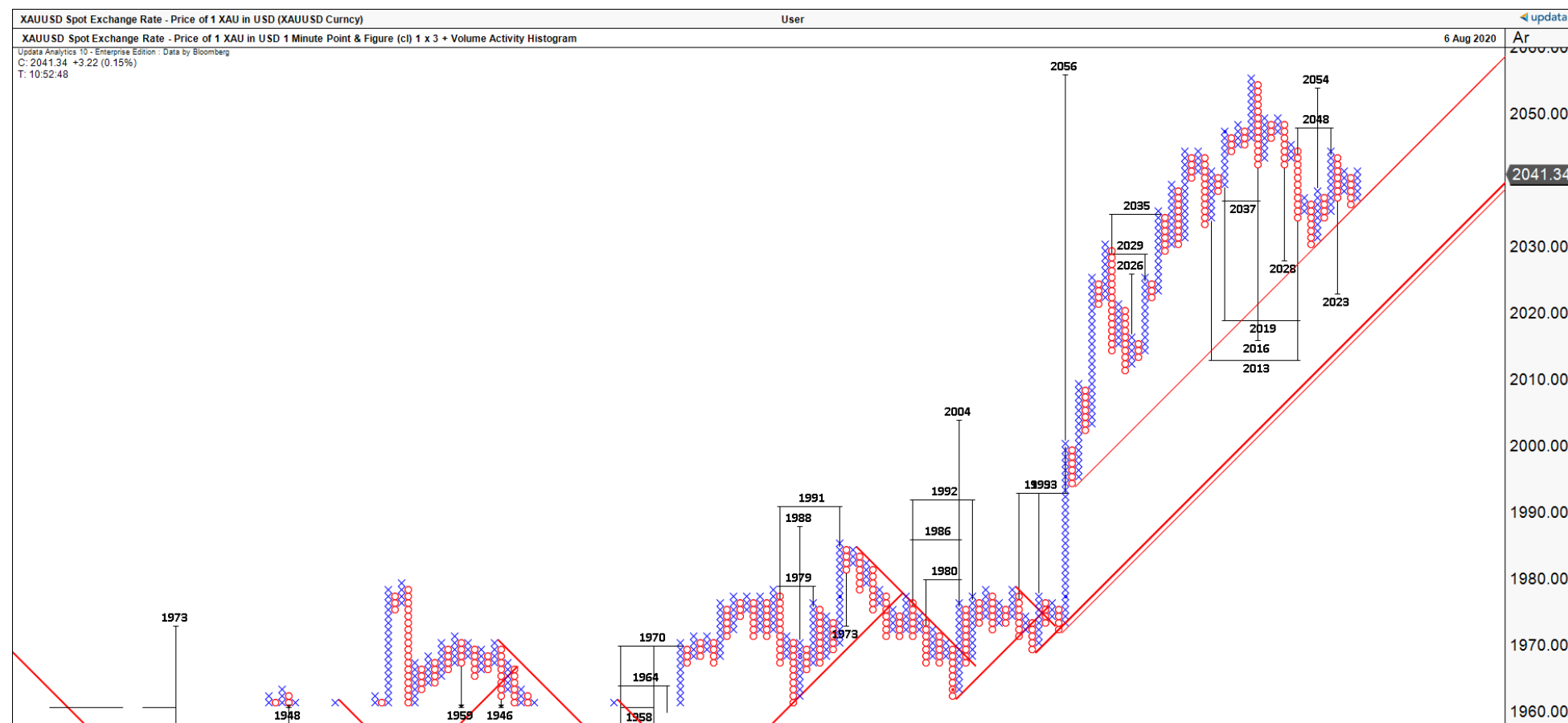
Switching to a slightly larger box size, the US\$2,000 appears and has been exceed by 2 boxes. Support at US\$1840 and US\$1780.



Price Targets via Point and Figure – Short Term

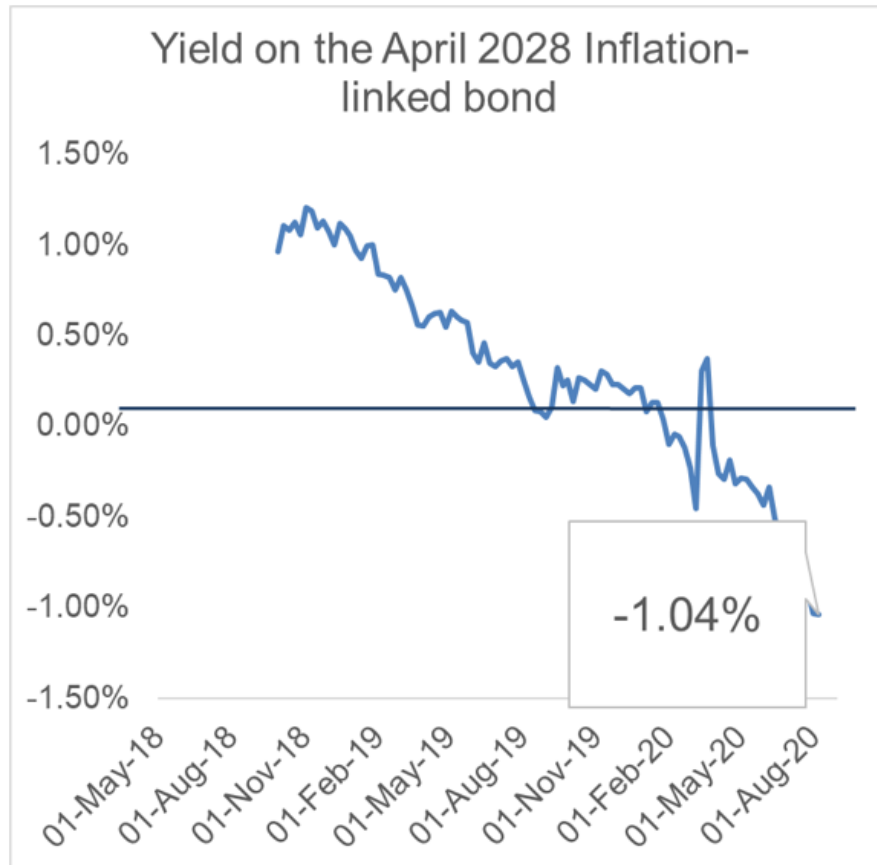
The market is cycling back short-term with plenty of targets to US\$1982 and on to US\$2056 (achieved since the last update.) On balance, chances are of a fade to US\$2013-2019 within the overall bullish move.

The moves below capture the period since Monday the 27th of July.



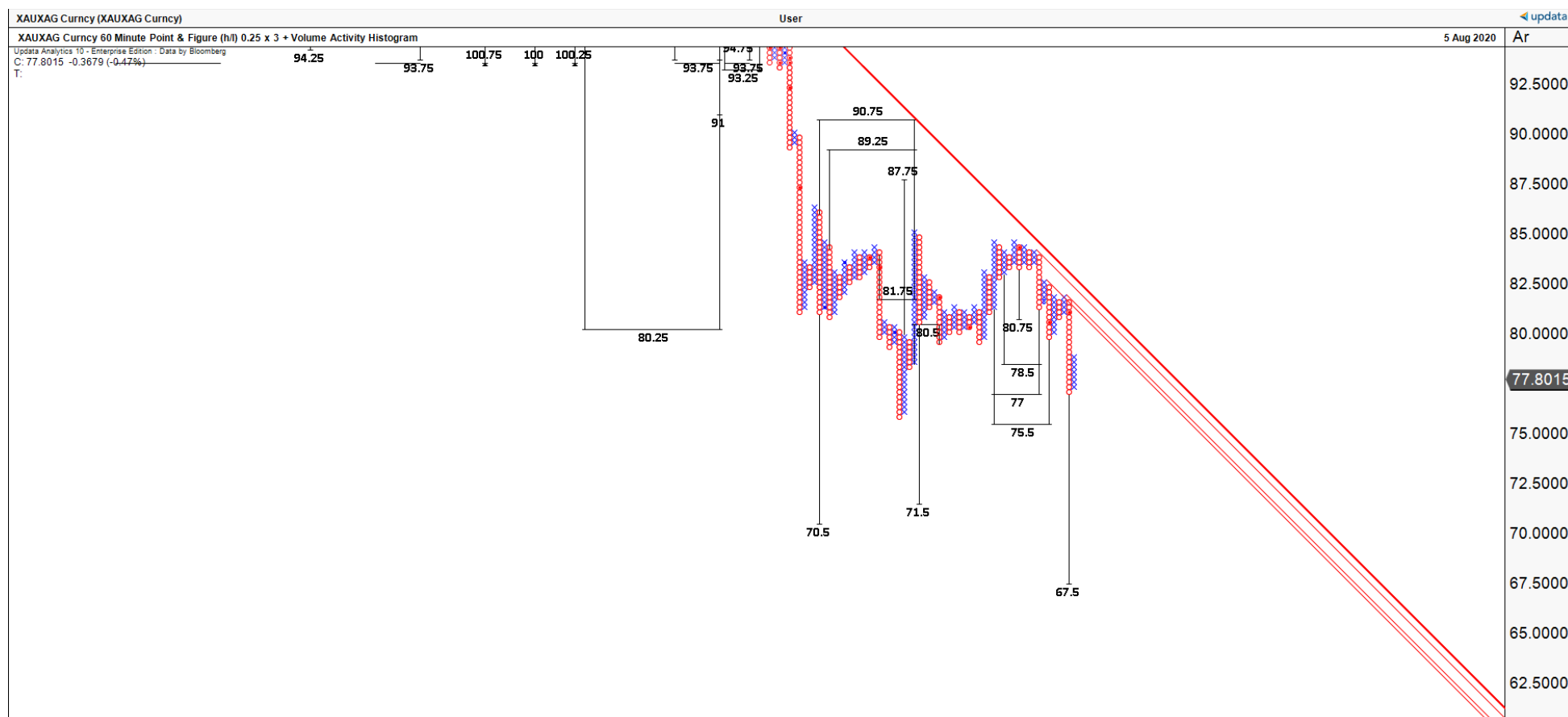
Inflation-linked bond yields & gold

A tremendous decline in real yields as bond markets price in pessimism, pushing gold higher.



Gold-Silver Ratio

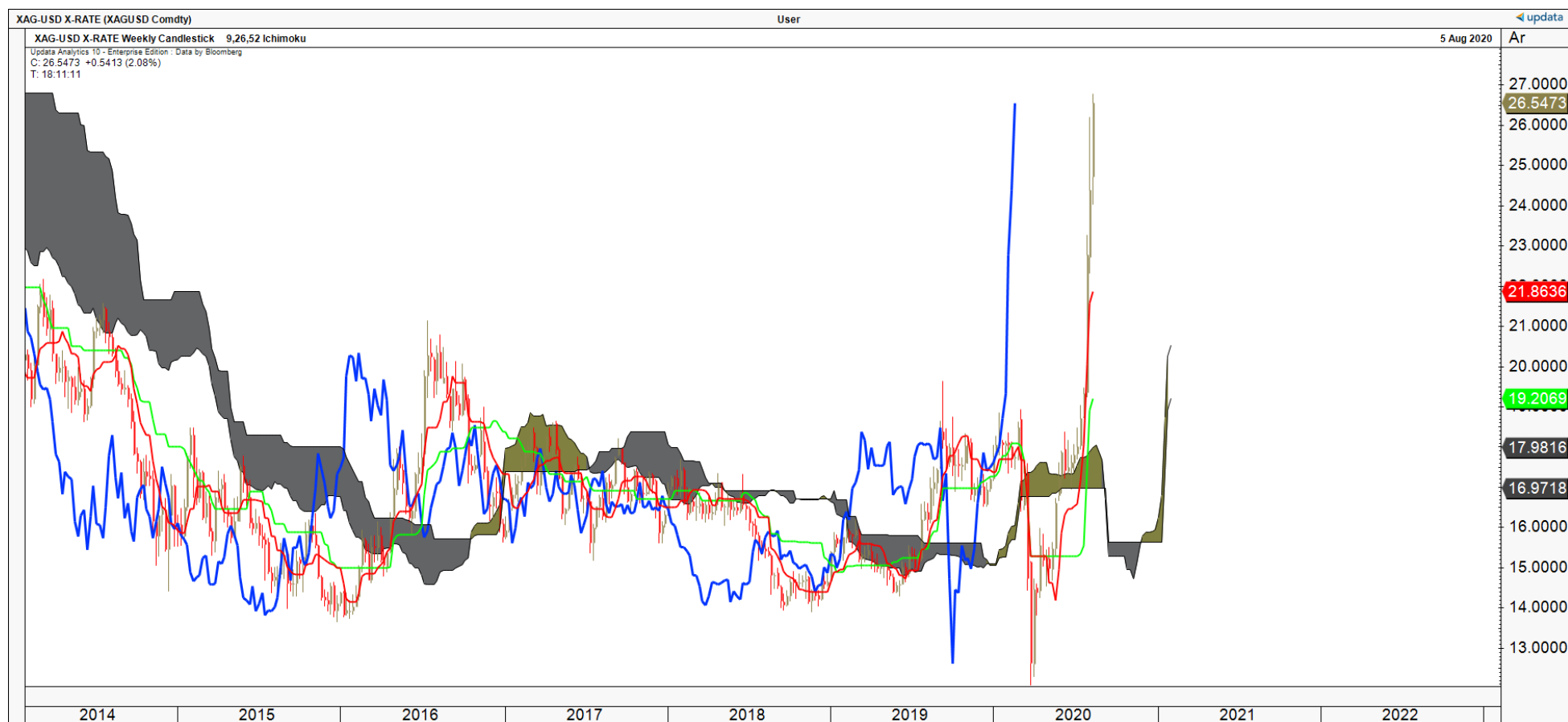
A powerful month of outperformance by silver, after ratio action between mid to end June created the target to 81. The trend continues although after the move to 75 subsequent moves look as if they will be volatile in a 70-90 range?



Silver Weekly Ichimoku cloud

Silver went parabolic in July – caution. See the extra-long-term chart below for likely targets if the momentum keeps going.

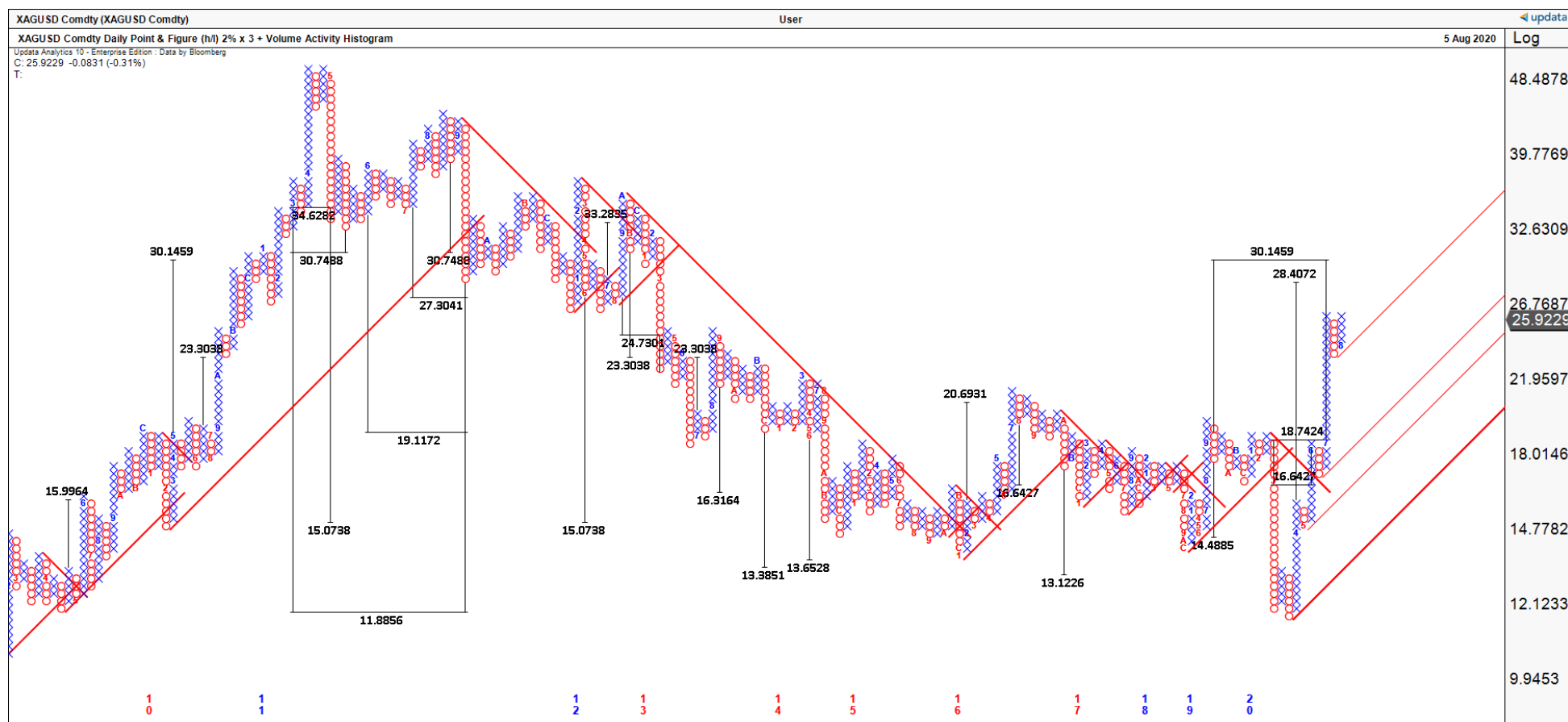
Support at \$21.90.



Silver Daily Point and Figure – Long term

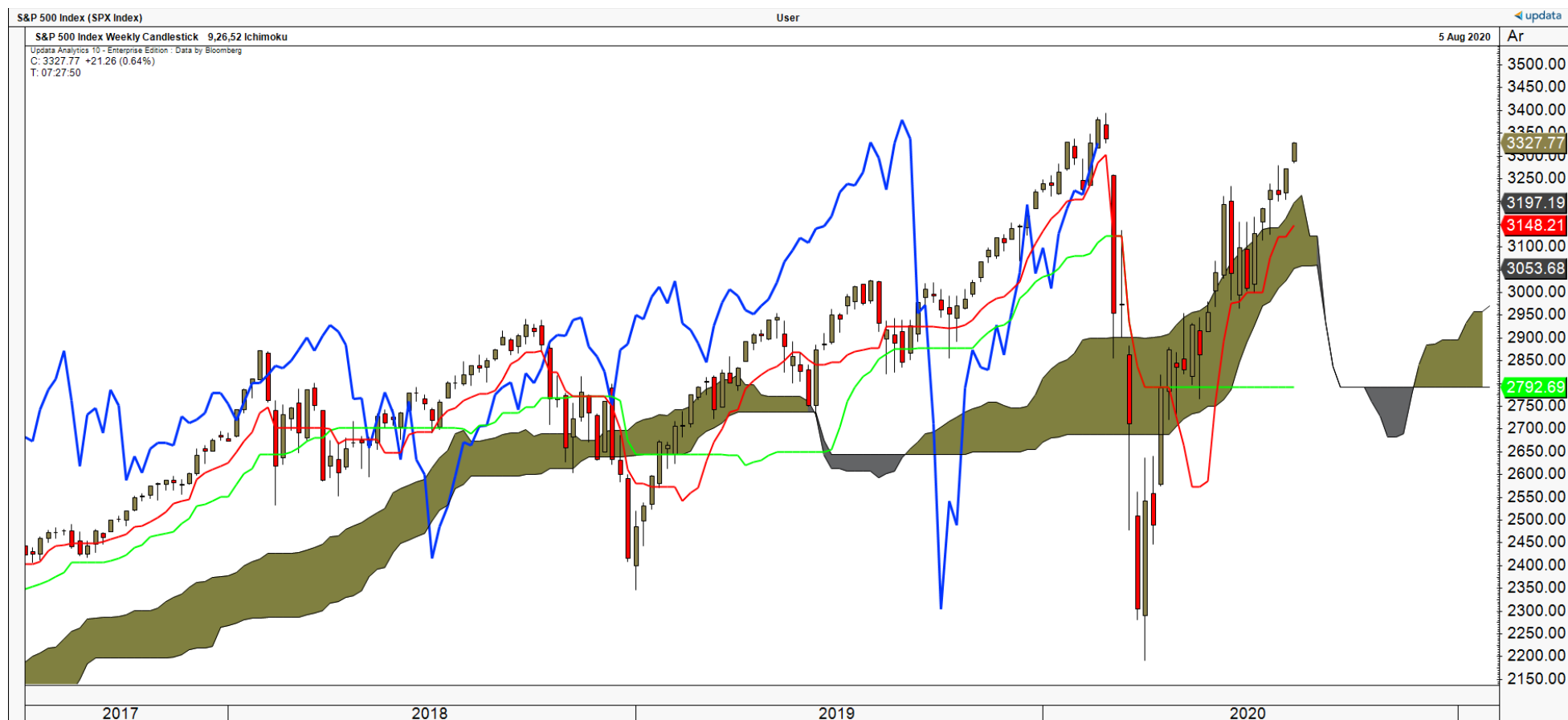
All targets on the 1% long-term chart have been achieved. Shifting to the 2% chart which is even longer-term in scope, there are remaining targets to US\$28.40 and US\$30.15 to consider as well.

Interestingly, the powerful down move in mid-March appears to have played out the huge downside target created when silver dropped from the highs made in 2011.



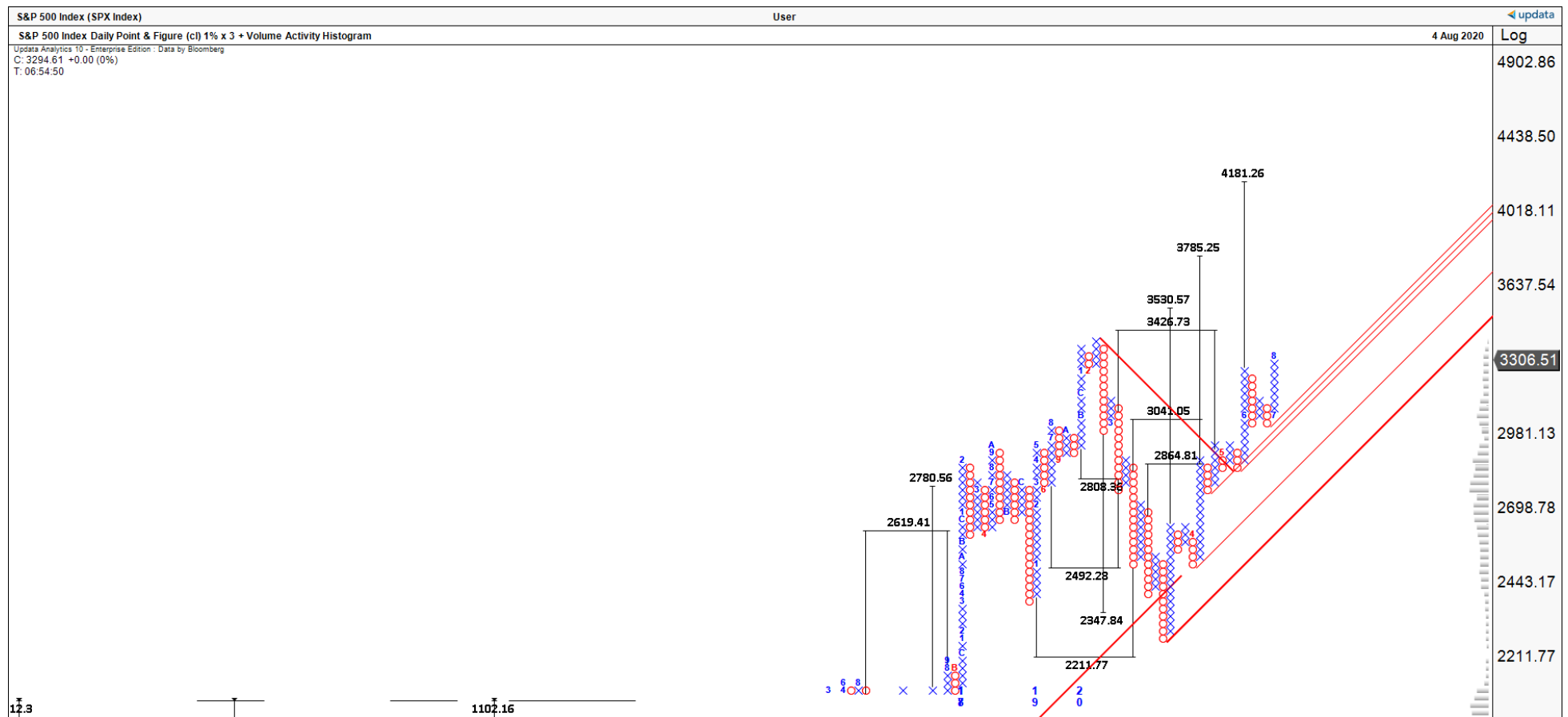
Equities - the SPX

Emergency measures proving more powerful than lockdown. See below for nearby targets. Roughly a quarter of the S&P's valuation comes from the FANGs, and they continue to do well in current circumstances.



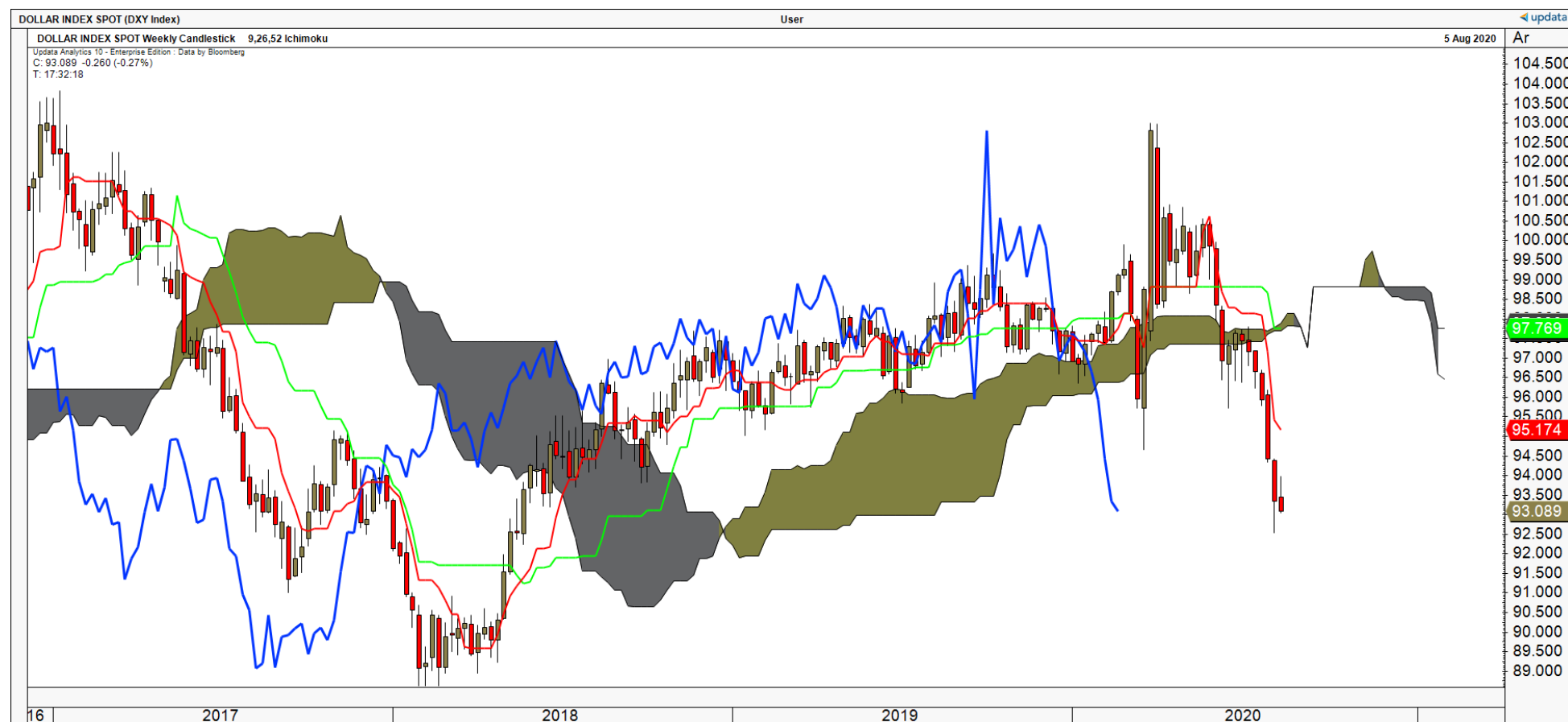
SPX Daily Chart with Targets

The SPX remained in trend and found support at the base of the early June column. Fed emergency support and (so far) fiscal measures have succeeded in keeping the show going. Likely moves to 3,430 and 3,530 - 3,785 if a combination of a vaccine and successfully timed un-wind of emergency measures eventuates?



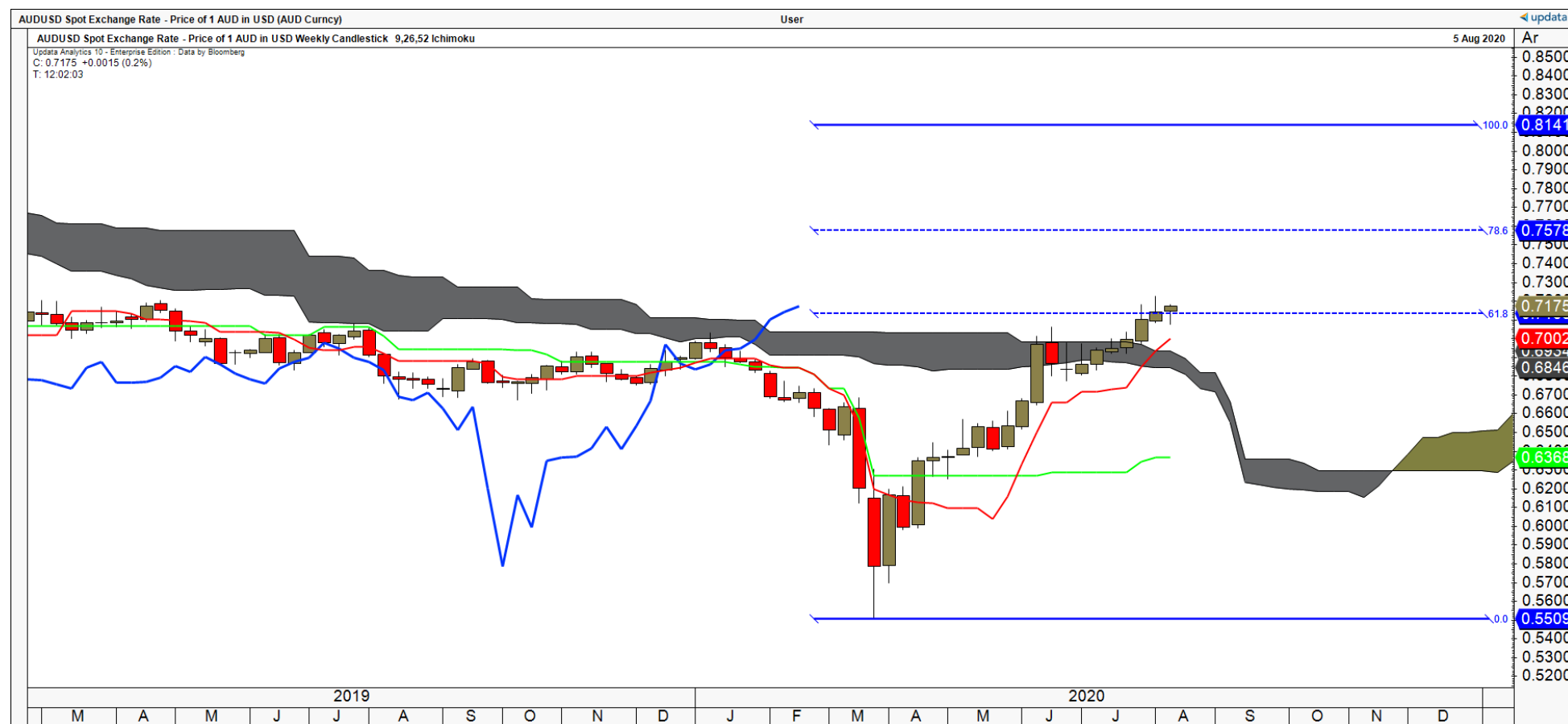
The Dollar – DXY

Coronavirus not good for the DXY, contrary to my last comment, as the market looks past the safe-haven dimension and worries about the impact of economic support on the growing deficit. The daily point and Figure targets 92.176. The recent low of 92.546 – has the DXY more or less achieved that? It's an ask but if it has, look for the Dollar index to strengthen to 96.30, around the mid-July breakdown.



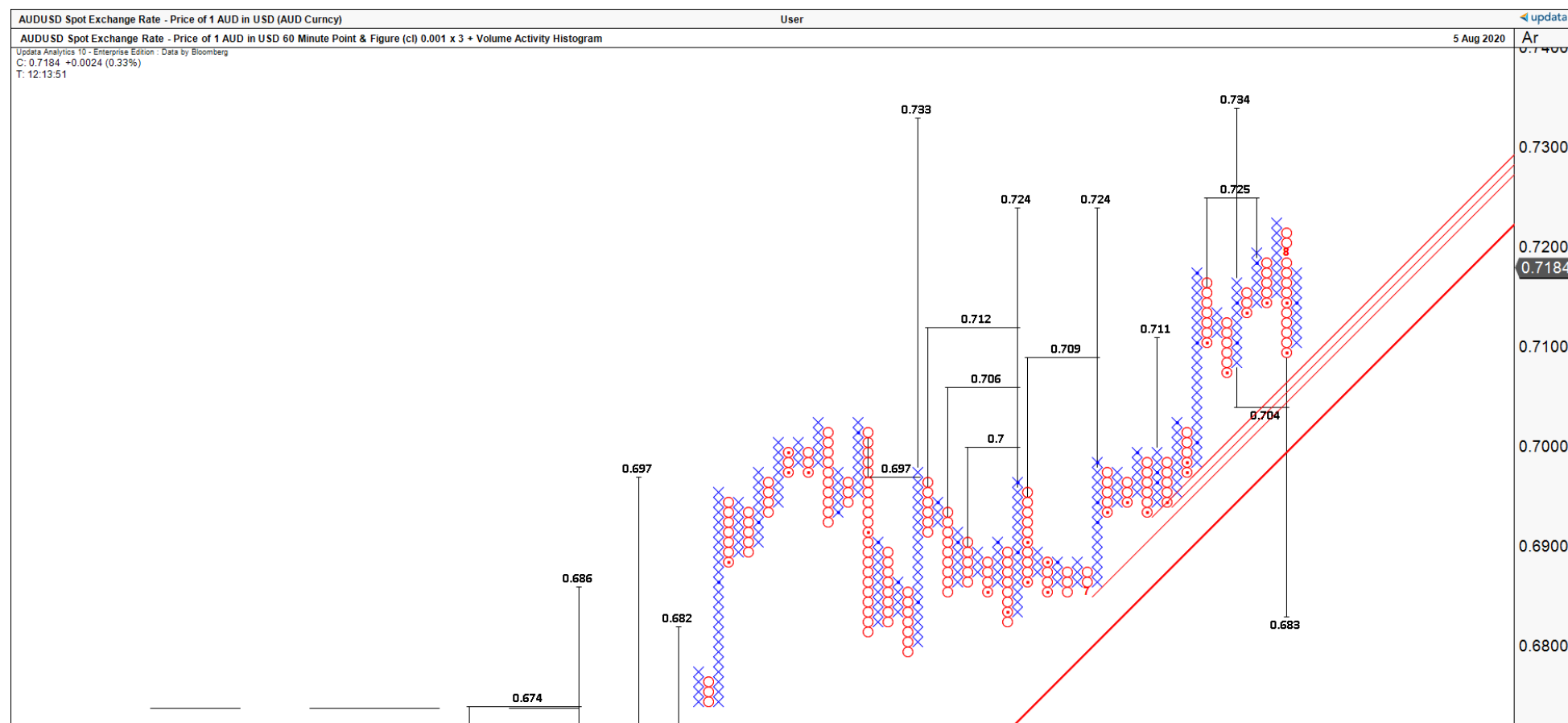
AUD Weekly Cloud

The AUD is supported by strong trade surpluses (A\$8.20 billion in June) as iron ore and non-monetary gold outflows increased again. Imports did rise sharply. Support now at 0.70. It appears that the dollar is starting to break free of the 0.618% Fibonacci retracement. Upside targets remain limited, to 0.733/0.734. The second component of Aussie strength is the generally good handling of Coronavirus. The recent upsurge in cases may be supportive in the short term as domestic demand is most likely to decline, but the longer-term impact on the currency would have to be negative. A breakdown in the AUD would imply a move to the bottom of the weekly cloud, around 0.683, where the currency should find significant support.



The AUD Hourly Point and Figure

Still trending higher, but signs of rolling over in the short to intermediate term.



Where to from Here?

The sharp decline in yields and the Dollar Index has pushed gold sharply higher very quickly. It has been very hard to call a top, and a bit pointless to try, but recent targets to US\$2,060 levels may indicate where a nearby top may form.

The longer-term target is US\$2,395.

Resistance

US\$2400	1 % Point and Figure target
US\$2,115	Fibonacci extension on weekly candles
US\$2,064	Target on Hourly Point and figure

Supports

US\$1,978.00	Daily Turning Line
US\$1867.00	Weekly Turning Line
US\$1,754	Weekly Standard Line
US\$1,597	Weekly Cloud top
US\$1440-50	Band of support November 2019, successfully tested March 2020

Targets (Upside)

All target probabilities basis spot US\$2,040 for 3 months.

US\$2,395	Daily Point and Figure (1.00 % Log)	14 %
US\$2,115	Fibonacci extension	39%

Supports (Downside)

All target probabilities basis spot US\$2,040 for 3 months.

US\$1867	Weekly Turning Line support	18 %
US\$1754	Weekly Standard Line support	8%

Until next time,

Nicholas Frappell

Global General Manager

ABC Bullion

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