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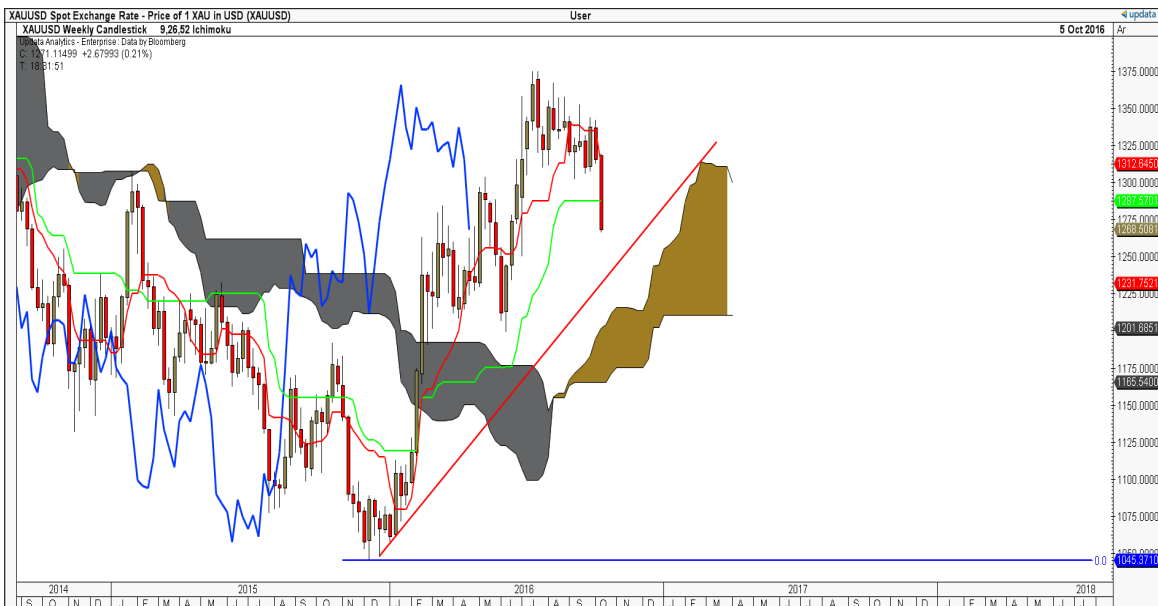
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Nicholas Frappell
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4 October 2016



Gold saw the biggest daily down move since July 2015, dropping US\$41 lower on futures and closing on the lows.

The apparent cause of the sudden drop appears to be shifting sentiment over the likelihood of Fed tightening, and a reduction in the program of bond purchases by the ECB. In actuality, since last Thursday the Fed Fund futures assessment of a December rate rise rose by about 11 basis point to 0.612. Meanwhile, market assessments of the policy rate one year on from now remain 29 basis points tighter. Big deal – the reality is that gold was range-trading, got longer, and as the clock ticked, less and less positive news emerged to support some very over-extended positioning.

The market has been exceptionally long, with the managed money sector adding 3.60 million Ftozs of fresh longs in the week to the 27th September, and reducing shorts by 600,000 Ftozs, at a VWAP of US\$1334. That was an increase of over 14 pct in gross long managed money positions, and an overall increase in net length of very nearly 20 pct to 25.517 million Ftozs, not very far from the all-time high of 27.307 million Ftozs seen in early July.

Since last Tuesday and up to Monday, open interest in the December contract has declined by around 1.70 million Tozs suggesting that there was some net liquidation, however the degree of action on yesterday's huge move won't be visible until tomorrow in terms of CME open interest. Global gold ETFs stayed more or less unchanged at 65.373 million.

Targets on gold on the hourly point and figure cluster around US\$1264-1277 (last week had a lone target to US\$1275 on the shorter term charts...) and there are now deeper targets to the US\$1240 level. Support comes in from the trend line rising from the mid-December low, which provides support at US\$1231. The Weekly Cloud top provides support at US\$1201, rising to US\$1216 by later this month.

10 year bonds did strengthen post FOMC, with the yield dropping to 1.534 pct to hit Daily Cloud top support before the price weakened off – look for 10 year yields to target 1.75 pct now.

GOLD

	Bid	Offer
Gold Spot AUD	\$1,665.93	\$1,666.95
Gold Spot USD	\$1,268.63	\$1,269.03

	52 week high (US\$)	Spot versus 52 week high	52 week low (US\$)	Spot versus 52 week low
Au	1,375.34	-7.74%	1,046.44	21.25%
Ag	21.14	-15.58%	13.65	30.74%
Pt	1,194.64	-17.02%	810.75	22.27%
Pd	747.1	-7.11%	451.85	53.59%

	mid
Spot Silver	\$17.84
Spot Platinum	\$991.32
Spot Palladium	\$694.00

	%
US 10 Year YTM	1.6864
US 30 Year YTM	2.4098
10 Year Bund YTM	-0.056
LME 3 month CA	\$4,805.00
LME 3 month AH	\$1,669.00
LME 3 month NI	\$10,080.00
LME 3 month ZN	\$2,380.00

Week ending	CME VWAP
27 Sep 16	\$1,334.13
20 Sep 16	\$1,321.17

	Benchmarks
Au AM	\$1,309.15
PM	\$1,283.30
Ag	\$18.74
Pt AM	\$1,007.00
PM	\$998.00
Pd AM	\$711.00
PM	\$705.00

CME Change	Au	Tozs	AUD
Net Managed	26,189,200		0.7614
Δ % Wkly	16.33%	Wk	CNY 6.4684
Δ Toz Wkly	4,275,800	Wk	EUR 1.1211
Δ Toz YTD	25,995,800	YTD	JPY 101.35
TOCOM Net	13,020	Tozs	
EFT position worldwide	65,373,168	Tozs	WTI \$48.69
Δ %	0.05%	Dly	
Δ Toz	32,948	Dly	
Δ Toz YTD	-212,136	YTD	

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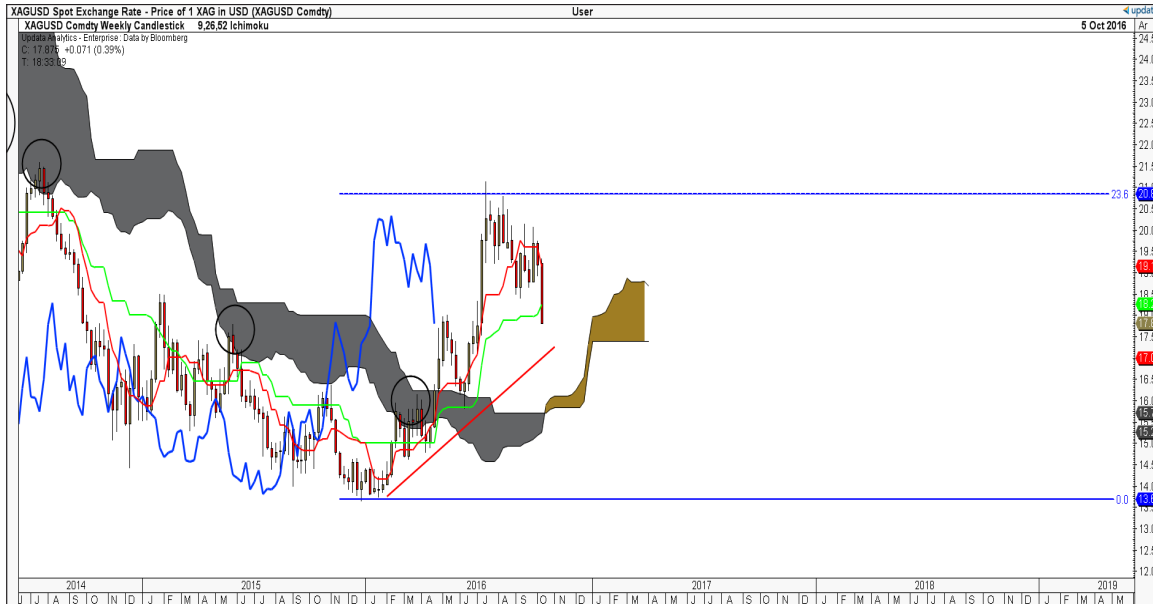
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Silver dropped through the Weekly Standard Line, for the first time since the break higher in April. Look for support at US\$17.00. Again, silver saw a significant increase in gross speculative length, as the managed money sector increased their commitments by almost 19 million Tozs in the week ending the 27th of September. This was done at a volume weighted average price of US\$19.64. At the same time, shorts reduced their positions by just over 9 million Tozs. Overall, net positioning increased by 27.90 million Tozs, an 8 pct. Increase in the week ending Tuesday the 27th. Between Tuesday and last Monday the 4th, CME silver open interest shrank by almost 16 million Tozs.

From a ratio perspective, silver underperformed, heading down to 71. Further weakness could see silver target 73 and 74.80 against gold.

Downside targets cluster around US\$16.50 on the hourly log chart, and US\$16.00 on longer term charts. Look for fairly significant support at the US\$17.00 and the US\$16.20 levels. Above the 2016 lows, major upside targets remain in place for silver, and recent price action suggests that the price is cycling off the intermediate target to US\$20.39, with US\$17.71 and US\$16.86 as parts of this next phase. Global Silver ETFs now stand at 673,990,383 Tozs as of the 3rd October, 400,000 Tozs short of the all-time high.

Crude did reach US\$48, and beyond, after OPEC members agreed to cut production and bullish targets extend to US\$50.20-50.80, with a target to US\$53.40. There was a degree of short covering in the week ending Tuesday the 27th, however speculative longs added more substantially, buying 10.67 million bbl at a VWAP of US\$45.09, whereas shorts rolled back only 2.11 million bbl. Support comes in at US\$45.20 and US\$44.30 now. Press reports suggest US shale firms are rushing to hedge at current levels. Near-month open interest has shrunk in the last few days, suggesting short-covering is the principal driver.

SILVER

	Bid	Offer
Silver Spot AUD	\$23.42	\$23.44
Silver Spot USD	\$17.84	\$17.85

	52 week high (US\$)	Spot versus 52 week high	52 week low (US\$)	Spot versus 52 week low
Au	1,375.34	-7.74%	1,046.44	-98.29%
Ag	21.14		13.65	
Pt	1,194.64		810.75	
Pd	747.1		451.85	

	mid
Spot Gold	\$1,268.83
Spot Platinum	\$991.32
Spot Palladium	\$694.00

	%
US 10 Year YTM	1.686
US 30 Year YTM	2.41
10 Year Bund YTM	-0.056

Week ending	CME VWAP
27 Sep 16	\$19.64
20 Sep 16	\$19.10

	Benchmarks
Ag	\$18.74
Au AM	\$1,309.15
Au PM	\$1,283.30
Pt AM	\$1,007.00
Pt PM	\$998.00
Pd AM	\$711.00
Pd PM	\$705.00

CME Change	Ag	Tozs	AUD	CNY	EUR	JPY
Net Managed	389,470,000		0.7614	6.4684	1.1211	101.35
Δ % Wkly	6.02%	Wk				
Δ Toz Wkly	22,105,000	Wk				
Δ Toz YTD	311,580,000	YTD				

EFT position worldwide	673,841,553	Tozs	WTI	\$48.69
	0.00%	Wk		
Δ Toz change	0	Wk		

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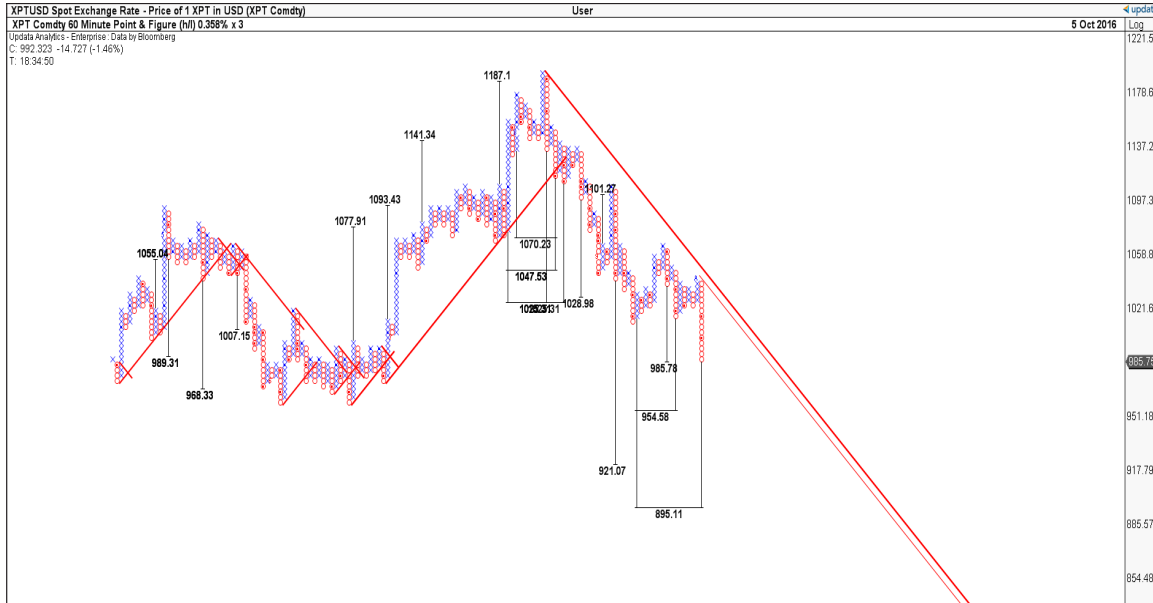
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Platinum drops to Weekly Cloud top support at US\$995, and just breaks slightly below. Expect support at US\$960 and US\$940 if the drop continues. The macro picture remains positive basis longer-term cloud charts. Expect the current downswing to touch US\$961.

CME futures showed a slight reduction in Managed money length and an increase in shorts in the week ending Tuesday the 27th of September, at a volume weighted average price of US\$1045. Since then, there has been a minor reduction in open interest, suggesting longs have reduced further, at least to a net amount of about 29,000 Tozs.

Global platinum ETF positioning is 2,261,060 Tozs.

The AUD saw a substantial increase in non-commercial futures longs in the week to the 27th September, after almost a month of declines. Shorts grew as well, although not as aggressively. The VWAP was 76.02. The AUD has taken some strength from decent Chinese trade figures, but looks likely to tend towards 0.7575 and 0.741. A break above 0.7710 would tend to target 0.78.

PLATINUM

	Bid	Offer
Platinum Spot AUD	\$1,300.53	\$1,303.24
Platinum Spot USD	\$990.35	\$992.29

	mid
Spot Gold	\$1,268.83
Spot Silver	\$17.84

Week ending	CME VWAP
27 Sep 16	\$1,045.07
20 Sep 16	\$1,033.93

CME Change	Pt	Tozs	AUD	CNY	EUR	JPY
Net Managed	1,058,950		0.7614	6.4684	1.1211	101.35
Δ % Wkly	-0.06%	Wk				
Δ Toz Wkly	-65,350	Wk				
Δ Toz YTD	1,516,100	YTD				

	52 week high (US\$)	Spot versus 52 week high	52 week low (US\$)	Spot versus 52 week low
Au	1,375.34	-27.92%	1,046.44	-5.27%
Ag	21.14		13.65	
Pt	1,194.64		810.75	
Pd	747.1		451.85	

Eurozone new car	619,268	Mo
Share of Diesel	51.6	An
Chinese total pt imports	5.447	Mo

	Benchmarks
Pt AM	\$1,007.00
Pt PM	\$998.00
Pd AM	\$711.00
Pd PM	\$705.00
Au AM	\$1,309.15
Au PM	\$1,283.30
Ag	\$18.74

TOCOM Net	746,428	Tozs	
EFT position worldwide	2,261,060	Tozs	WTI \$48.69
Δ Toz change	808	Wk	

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Palladium retreated to the weekly Turning line at US\$699, which has acted as support for now.

CME futures gross managed money long positioning grew by 71,600 Tozs to 1.641 million Tozs, as managed money shorts declined slightly to 0.264 million, all at a volume-weighted average of US\$694.00. Since last Tuesday, up until Monday, December open interest has grown by 190,000 Tozs, which suggests that shorts have exploded,

The price action seen last week has created fresh targets down to US\$644, and if these targets are fulfilled then palladium will find support near the Weekly Cloud top, and then re-join an upward move.

Global ETFs stand at 2,048,752 Tozs, slightly higher.

PALLADIUM

	Bid	Offer
Palladium Spot AUD	\$910.18	\$912.66
Palladium Spot USD	\$693.10	\$694.90

	mid
Spot Gold	\$1,268.83
Spot Silver	\$17.84

Week ending	CME VWAP
27 Sep 16	\$694.15
20 Sep 16	\$668.08

CME Change	Pd		
Net Managed	1,345,000	Tozs	AUD 0.7614
Δ % Wkly	8.19%	Wk	CNY 6.4684
Δ Toz Wkly	101,800	Wk	EUR 1.1211
Δ Toz YTD	676,200	YTD	JPY 101.35

	52 week high (US\$)	Spot versus 52 week high	52 week low (US\$)	Spot versus 52 week low
Au	1,375.34	-49.54%	1,046.44	-33.68%
Ag	21.14		13.65	
Pt	1,194.64		810.75	
Pd	747.1		451.85	

	Benchmarks
Pd AM	\$711.00
Pd PM	\$705.00
Pt AM	\$1,007.00
Pt PM	\$998.00
Au AM	\$1,309.15
Au PM	\$1,283.30
Ag	\$18.74

EFT position worldwide	2,048,752	Tozs	WTI \$48.69
	0.20%	Wk	
Δ Toz change	11,414	Wk	

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