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ABC Refinery Monthly Precious Metals Technical Analysis Report

August 2022

Gold - In Brief

Good day and welcome to the August 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 in between each monthly report.

Macro Themes.

Monetary conditions continue to tighten and the debate over whether the Federal Reserve would pivot to weaker rates in the face of recession fears appears to have been settled with hawkish commentary at Jackson Hole Symposium, which has also knocked the recent 'BRM' – Bear Market Rally. The USD was bid up on continued expectations around tightening. Inflation prints – and projections – moved higher, especially for the UK. Inflation break-evens remain very low, suggesting that markets are looking through current Crude continues to weaken, expecting weaker economic conditions, however above US\$90, US\$120–125 remains a possibility.

China economic data continues to soften as both the 'Covid zero' policy and broad property weakness persist, with August PMI better than July's 49.00 but none the less weak at 49.40, and Country Garden, China's largest real estate developer reporting a 96 % fall in profits as Chinese home prices continue to drop.

Gold Gold remains relatively highly valued compared with real rates.

Silver Silver moves lower in line with gold and copper.

Gold looking forward

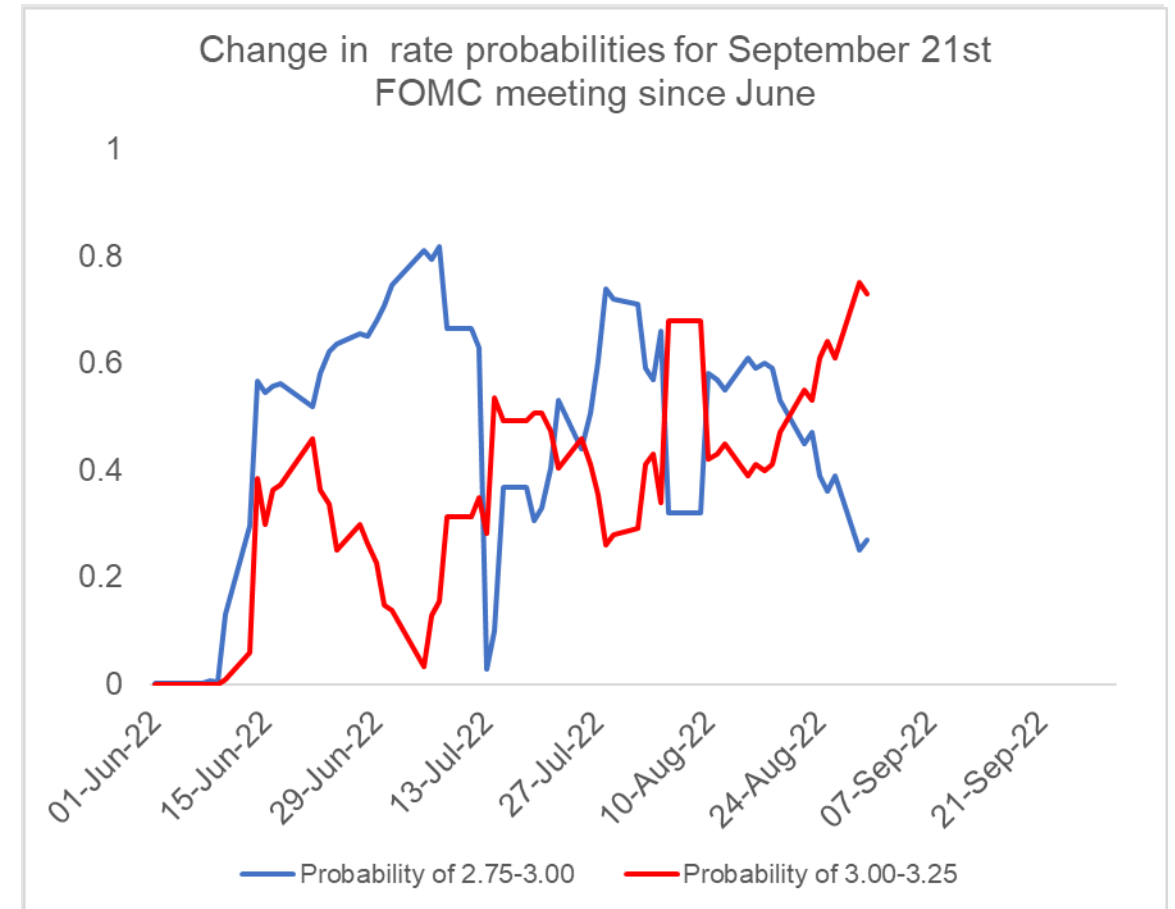
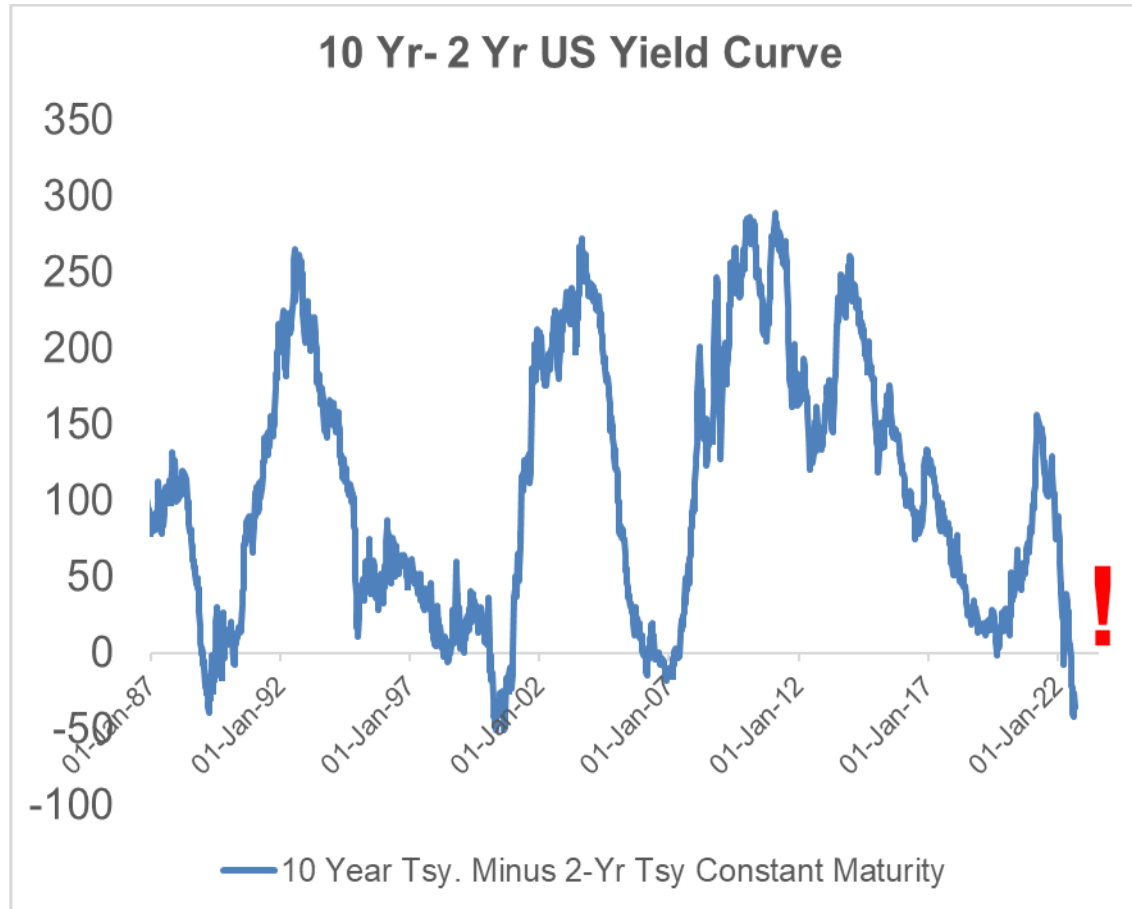
Expect gold to remain under pressure from a continuation of (relatively) aggressive monetary policies that largely favour the Dollar and higher yields. Gold may benefit as a refuge from volatility in equities and fixed income.

AUD

The AUD weakened, partly as a reflection of the drive to the USD, and partly a take on slower growth in trading partners, with China's 2022 growth forecasts revised down to around 3 pct. SGX Iron Ore contract has targets down to US\$85 and US\$74.

Money and yields

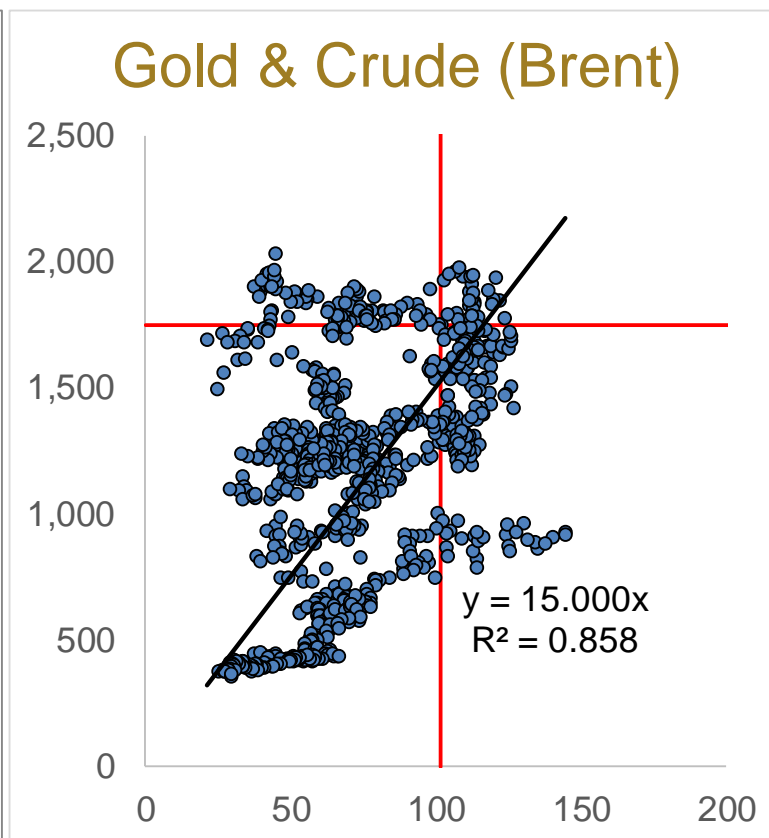
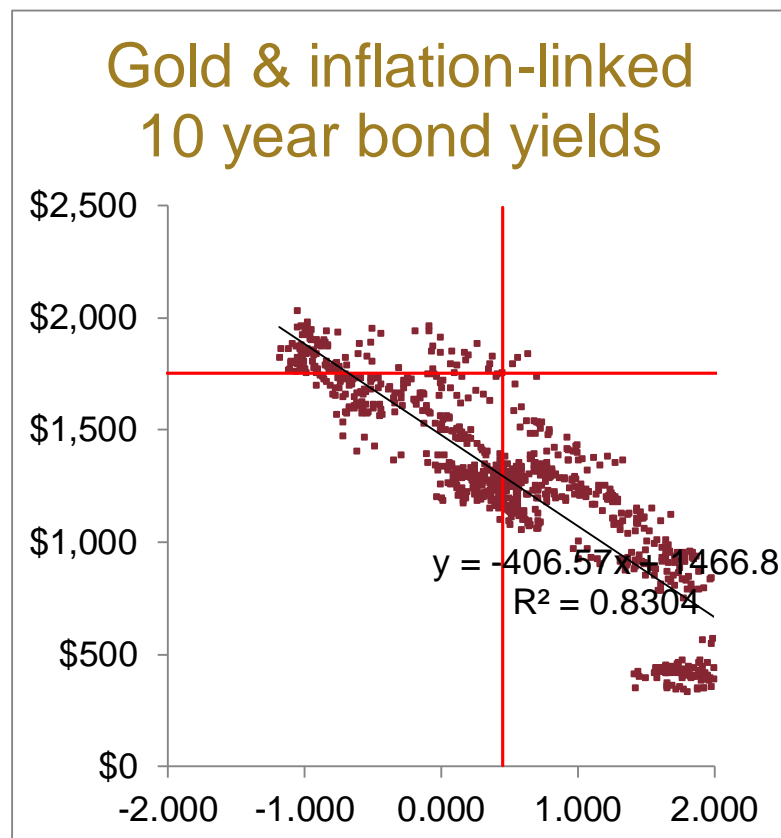
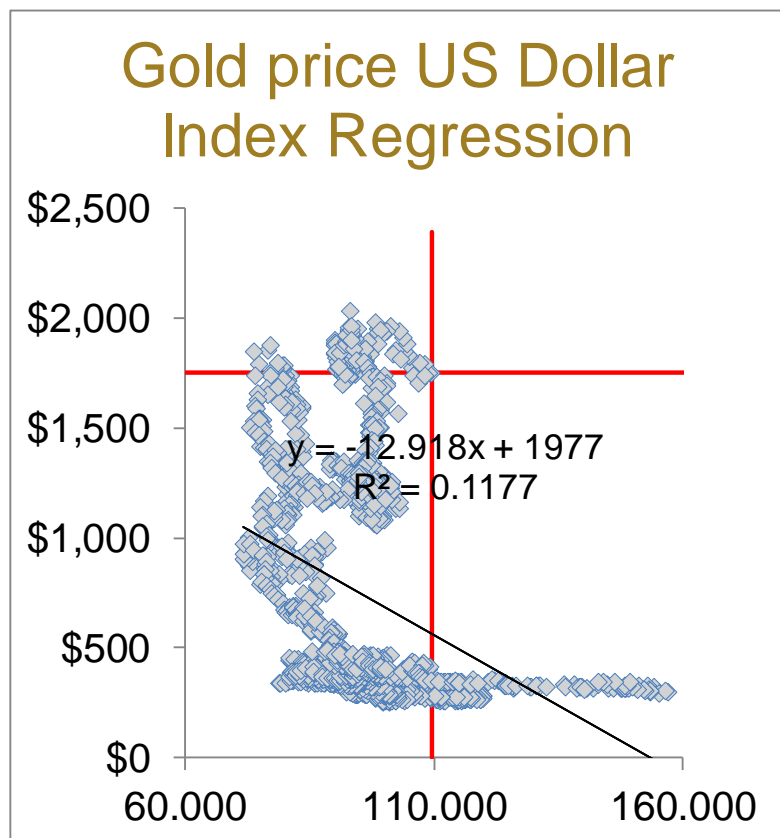
The 2s-10s spread is even more negative then in last month's report. The chance of a 75-bps hike from the current 2.25-2.50 % level is visible in red in the chart on the RH side. The rise of the line red helps the LH curve become even more inverted.



Sources: Bloomberg, CME FedWatch, ABC Refinery

Gold and key variables

The takeaway is that gold STILL looks highly valued when compared with the DXY, 10-year TIPS yields and crude .



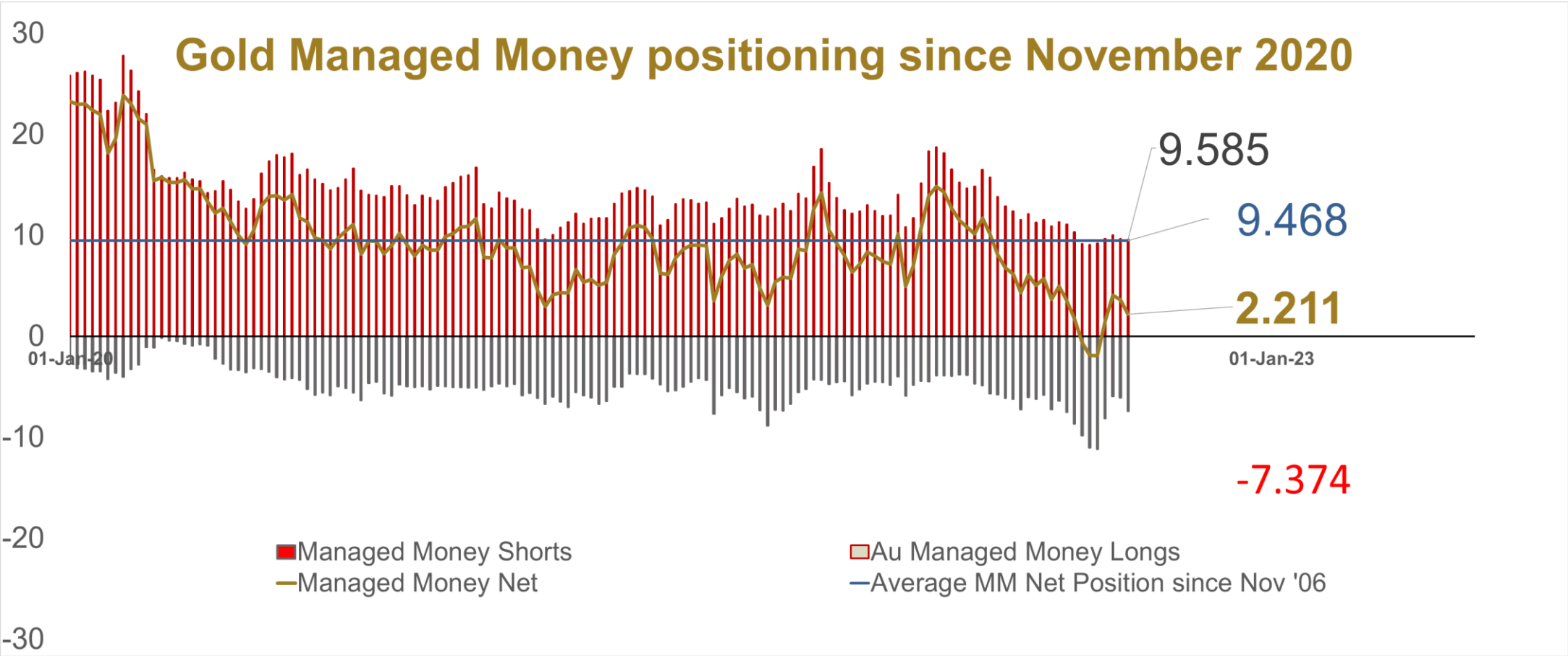
10-year US Yields (TIPS)

10-year real yields dropped sharply before recovering through August, helping to signal a move lower in gold.



Overview of Managed Money Positioning in Gold

Longs flatline, shorts grow. The recent rally helped by notable short-covering. Current net positioning is less than 25 % of the long-term average.



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

Gold longs reduced steadily. Shorts increased their negative bets at comfortable levels (see table) . Silver shorts have grown again. The previous large shorts no longer look vulnerable. Tremendous short selling in platinum.

Volume-weighted Average Price - GC

Published 29 August, 2022

	Weekly Change in Managed Money Positions (Futures only)			
Week ending on:	US\$ VWAP	Longs	Shorts	Net change
Tuesday, 23 August 2022	\$1,768.74	-91,500	1,334,700	-1,426,200
Tuesday, 16 August 2022	\$1,804.77	-324,800	111,300	-436,100
Tuesday, 9 August 2022	\$1,794.60	337,900	-2,150,000	2,487,900
Tuesday, 2 August 2022	\$1,773.00	441,800	-3,053,000	3,494,800
Tuesday, 26 July 2022	\$1,731.11	116,000	151,500	-35,500
		479,400	-3,605,500	4,084,900

Gold ETF Change in position	-1,272,531
Total change over period	2,812,369

Volume-weighted Average Price - PLA

Published 29 August, 2022

	Weekly Change in Managed Money Positions (Futures only)			
Week ending on:	US\$ VWAP	Longs	Shorts	Net change
Tuesday, 23 August 2022	\$896.72	-49,350	198,550	-247,900
Tuesday, 16 August 2022	\$943.47	-41,600	-175,600	134,000
Tuesday, 9 August 2022	\$917.70	56,450	-230,750	287,200
Tuesday, 2 August 2022	\$887.76	-41,100	-226,900	185,800
Tuesday, 26 July 2022	\$860.06	-44,350	-66,900	22,550
		-119,950	-501,600	381,650

Platinum ETF Change in position	-9,368
Total change over period	372,282

Volume-weighted Average Price - SI

Published 29 August, 2022

	Weekly Change in Managed Money Positions (Futures only)			
Week ending on:	US\$ VWAP	Longs	Shorts	Net change
Tuesday, 23 August 2022	\$19.37	-390,000	48,275,000	-48,665,000
Tuesday, 16 August 2022	\$20.43	-3,440,000	-5,700,000	2,260,000
Tuesday, 9 August 2022	\$20.18	-2,790,000	-14,355,000	11,565,000
Tuesday, 2 August 2022	\$19.62	-18,470,000	-63,280,000	44,810,000
Tuesday, 26 July 2022	\$18.59	1,550,000	20,435,000	-18,885,000
		-23,540,000	-14,625,000	-8,915,000

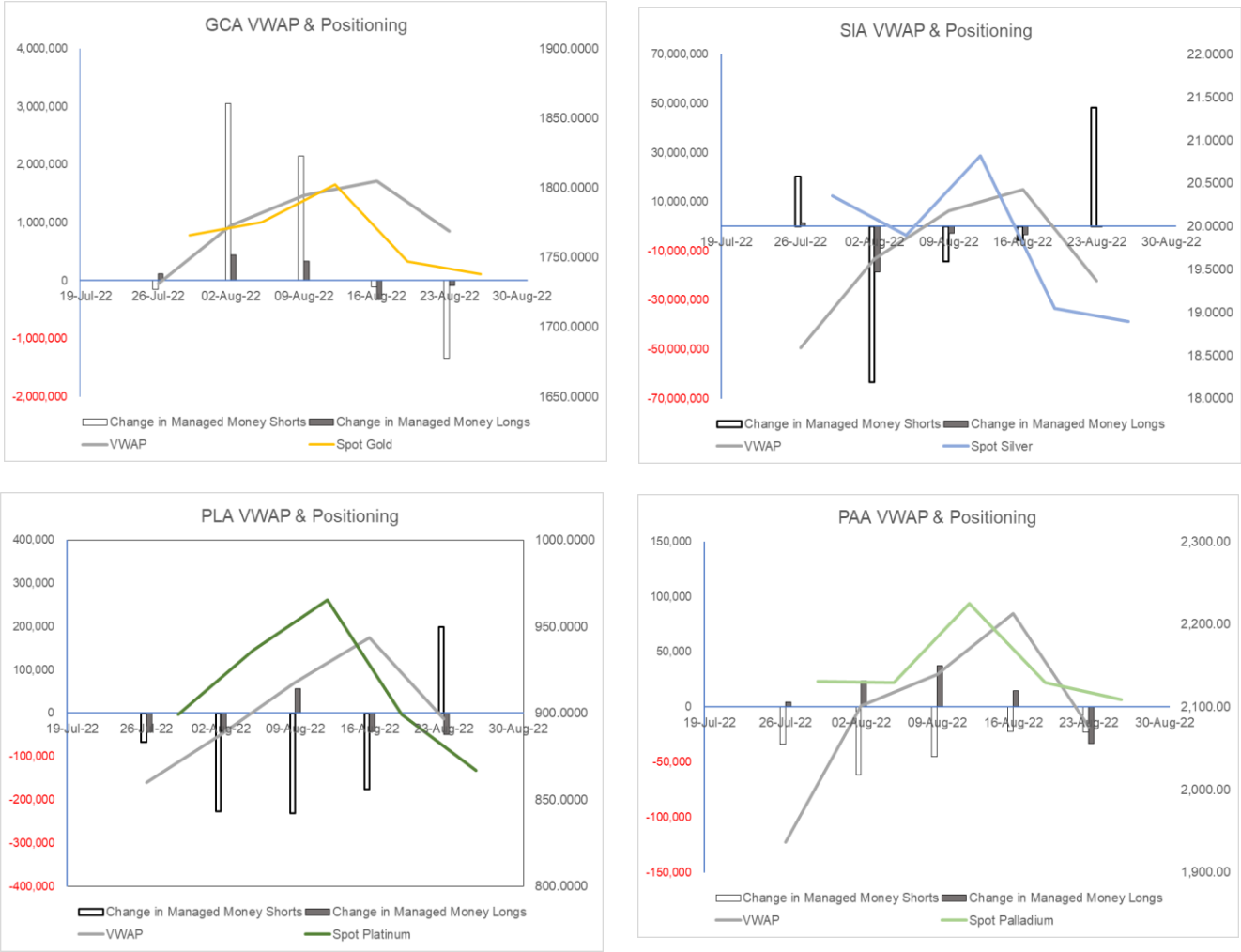
Silver ETF Change in position	-22,536,793
Total change over period	-31,451,793

	Weekly Change in Managed Money Positions (Futures only)			
Week ending on:	US\$ VWAP	Longs	Shorts	Net change
Tuesday, 23 August 2022	\$2,076.16	-33,000	-23,000	-10,000
Tuesday, 16 August 2022	\$2,212.85	14,500	-22,600	37,100
Tuesday, 9 August 2022	\$2,139.51	37,600	-45,100	82,700
Tuesday, 2 August 2022	\$2,101.39	23,700	-61,500	85,200
Tuesday, 26 July 2022	\$1,936.21	4,200	-33,900	38,100
		47,000	-186,100	233,100

Palladium ETF Change in position	-11,876
Total change over period	221,224

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

Gold did hold the US\$1670-1695 band of support, approximately the box in red, making a low in of US\$1681 in July, however the subsequent counter-trend rally was repelled at the Weekly cloud. Note the intersection of Fib levels at the recent high. Below the weekly cloud, the price remains in a bearish configuration.



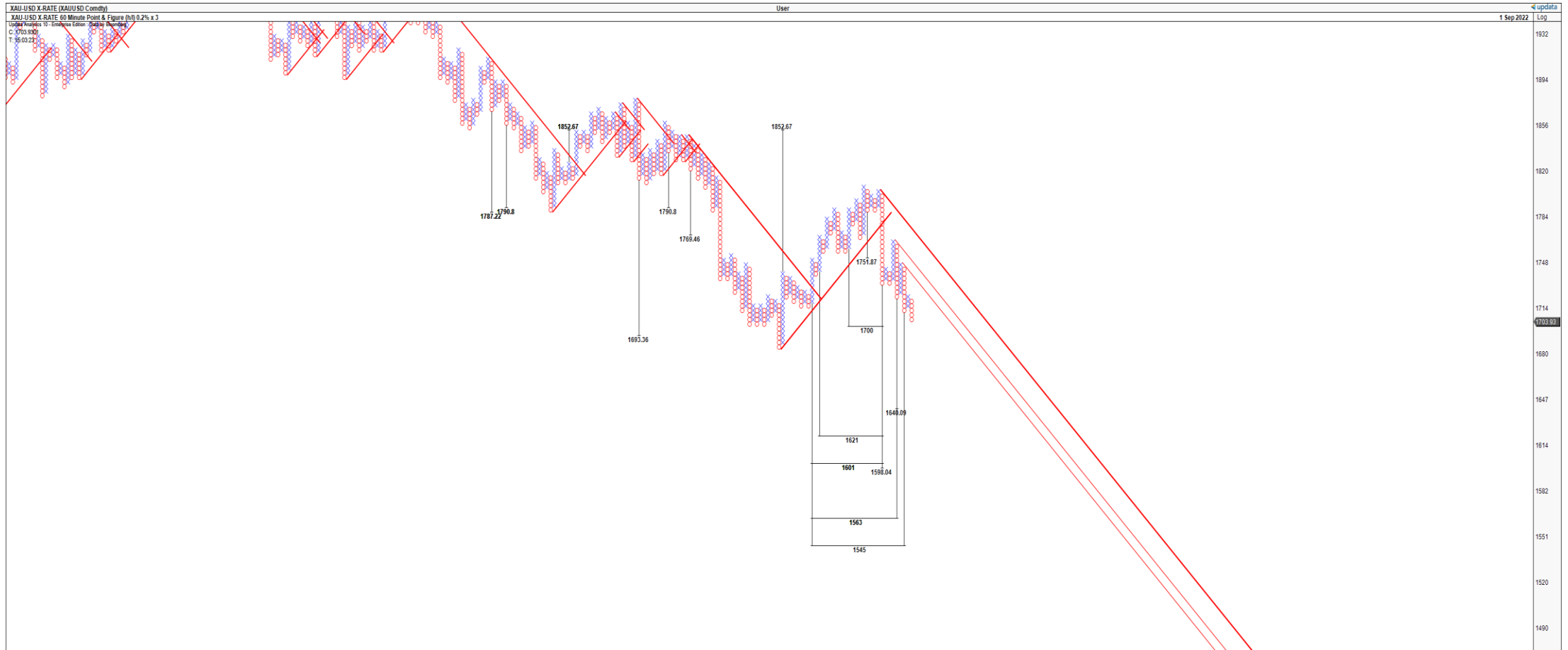
Daily Ichimoku Cloud Chart

Gold's savage run on the downside pretty much a reflection of EURUSD. Takeaways from here are that any significant bounce will encounter resistance in the US\$1750-1780 band.



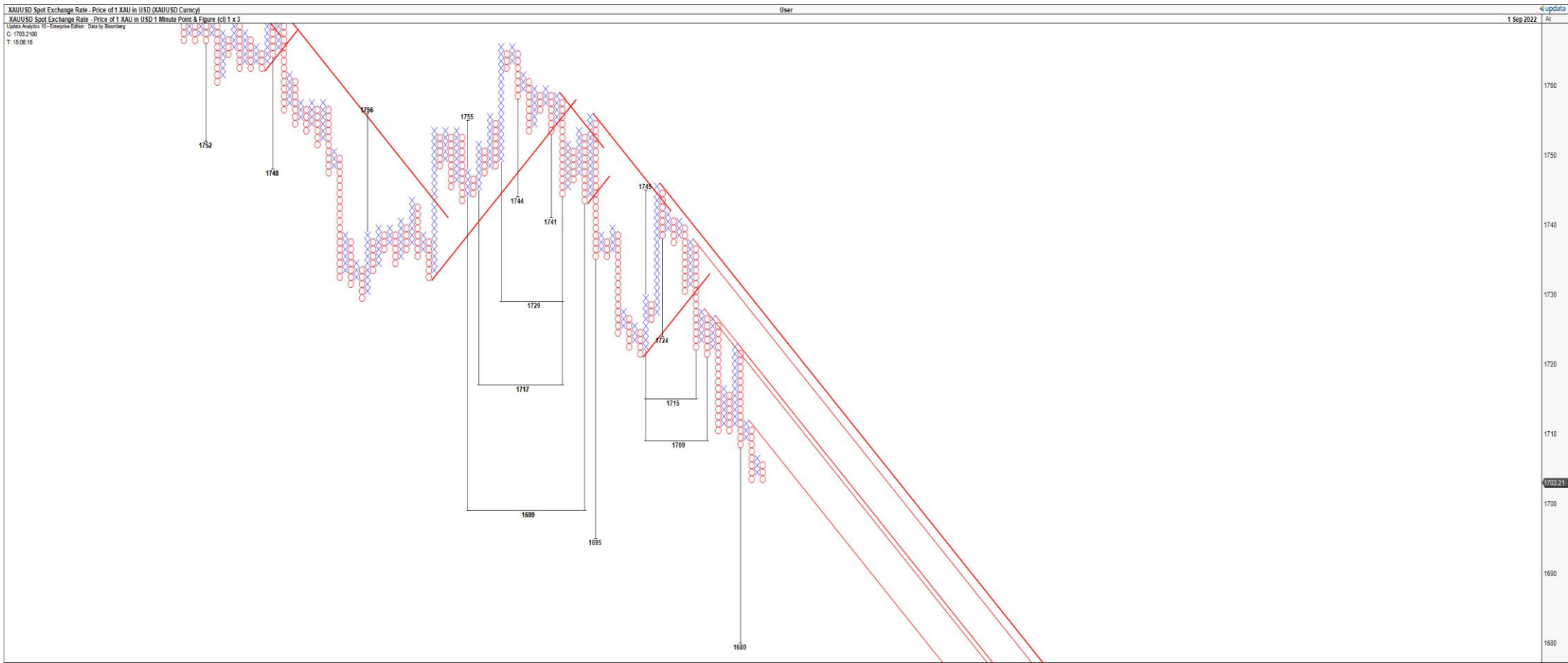
Gold Hourly Point and Figure – Medium Term

Medium term chart with strong targets lower. Once the vigorous Managed Money short covering between roughly the 20th of July and the 16th of August was done, the price rolled over, but not before creating significant targets lower in the process. Scope for rebounds up to US\$1750-60 without disturbing the downtrend. Deep targets look possible if the former low is breached.



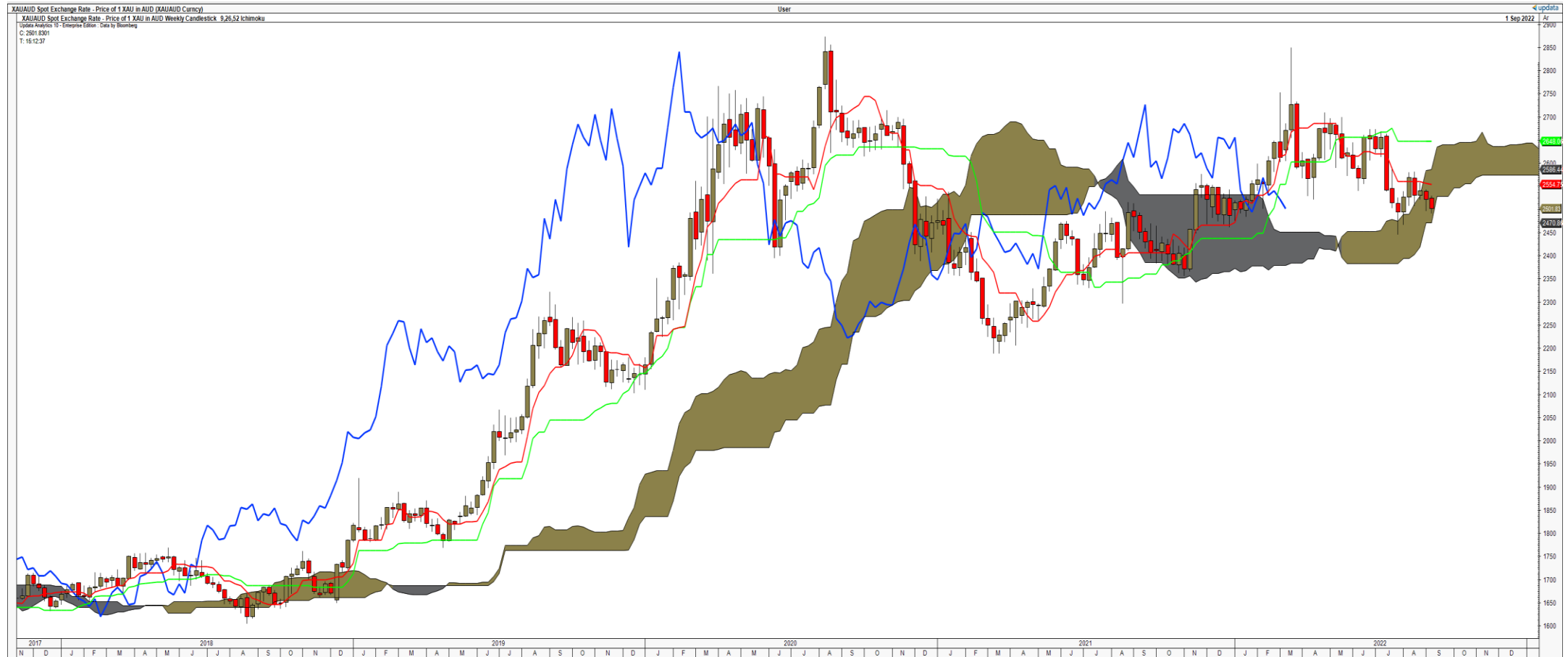
Gold Point and Figure – Shorter Term

A re-test of US\$1680 looks very possible.



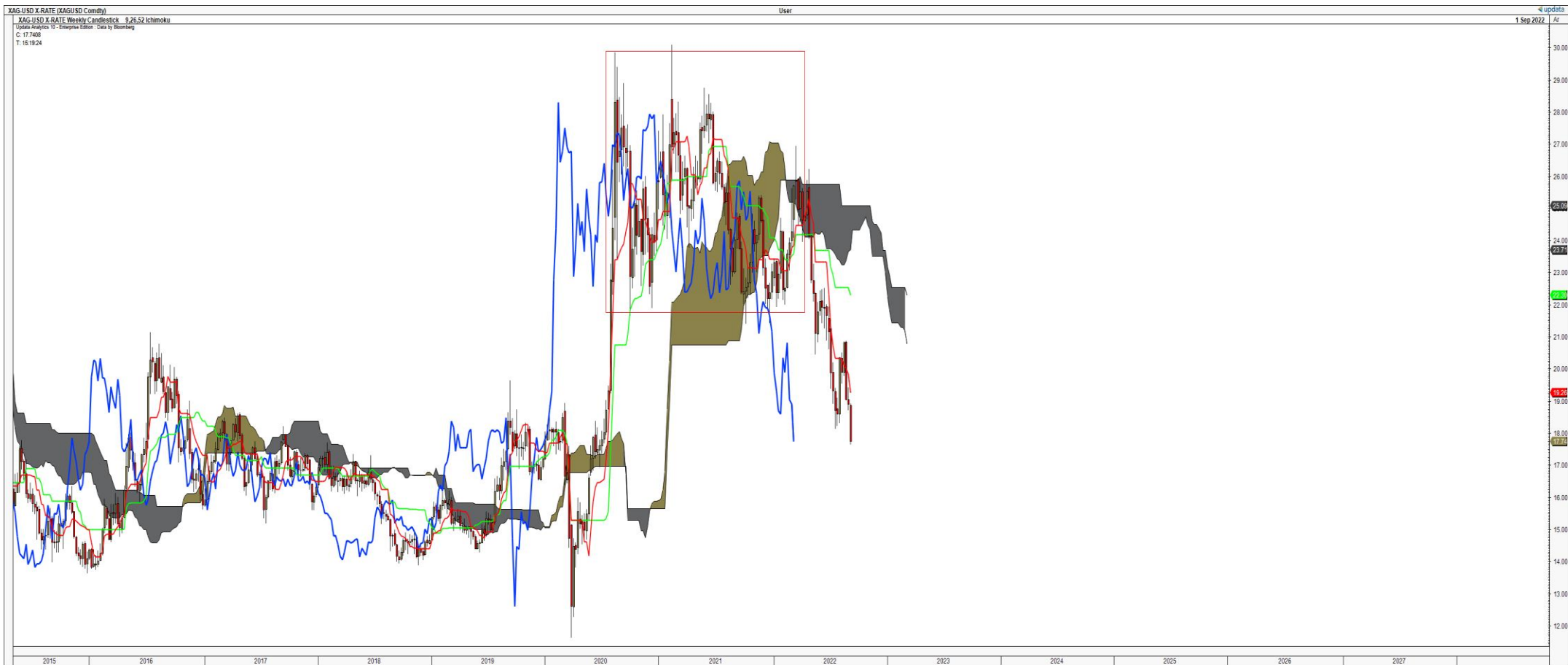
Gold in AUD via Weekly Ichimoku Cloud

XAUAUD: critical juncture as the price of gold in Australian dollars touched the Weekly Cloud base support at A\$2502.



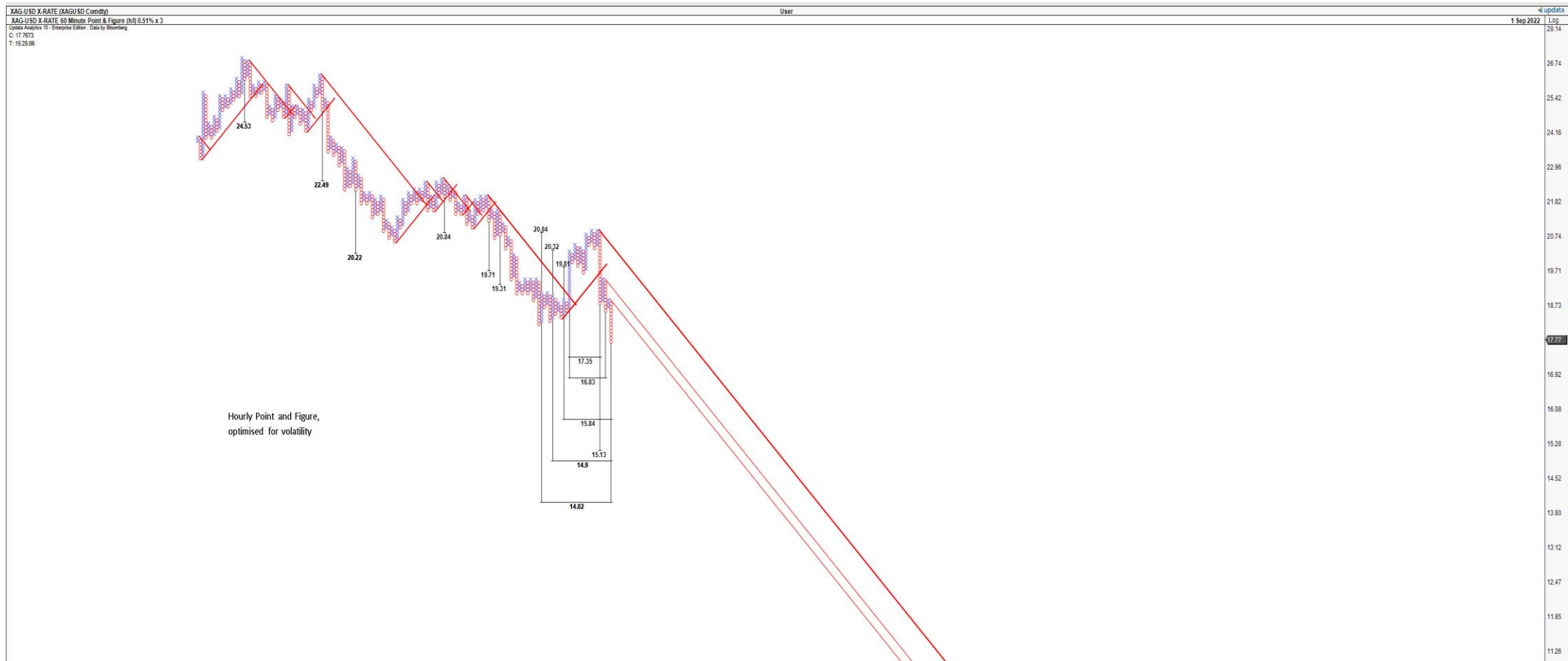
Silver in USD (Weekly)

Silver – a brutal call but after a major sideways move over huge ground between US\$22 and US\$30, the price could continue sharply lower to find support in the US\$14-16 band.



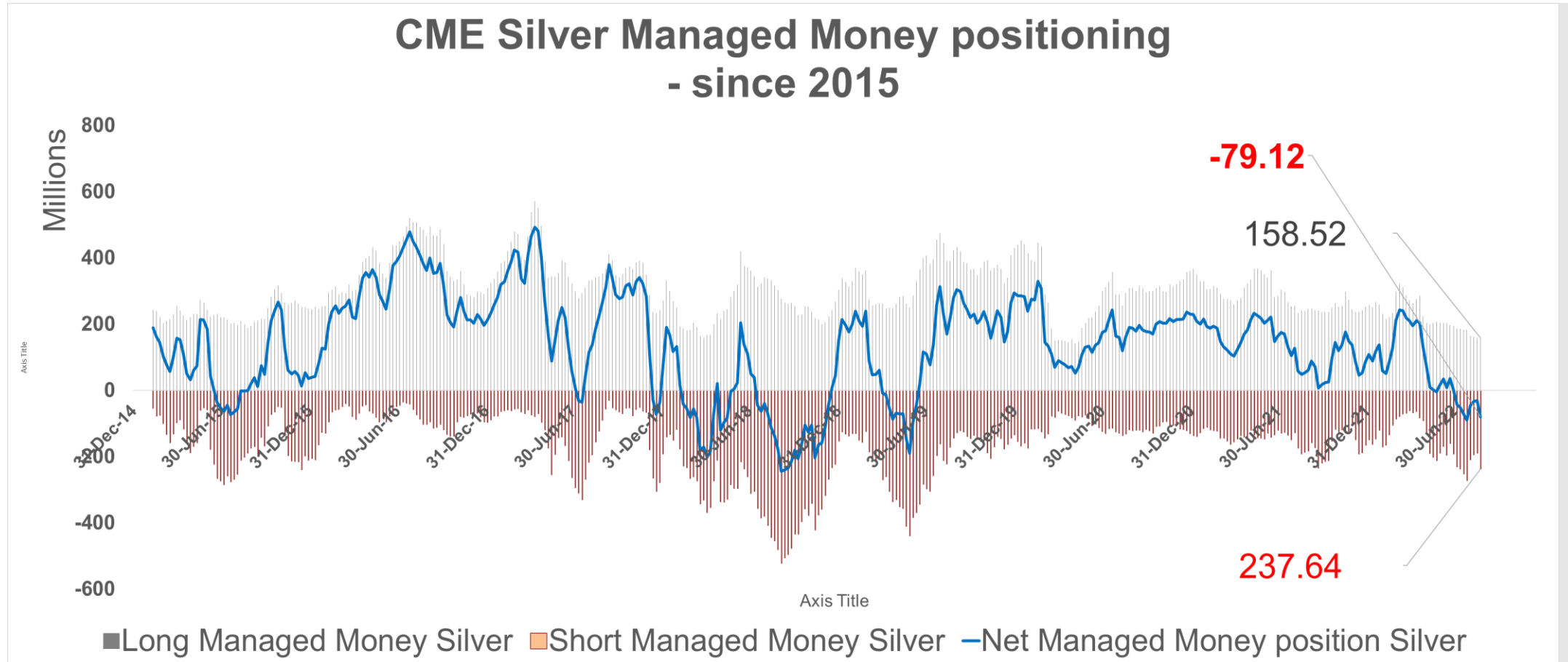
Silver in USD – Medium term via Hourly Point and Figure

... a view born out in the targets in the chart below, which below the recent highs has multiple downside targets down US\$14.



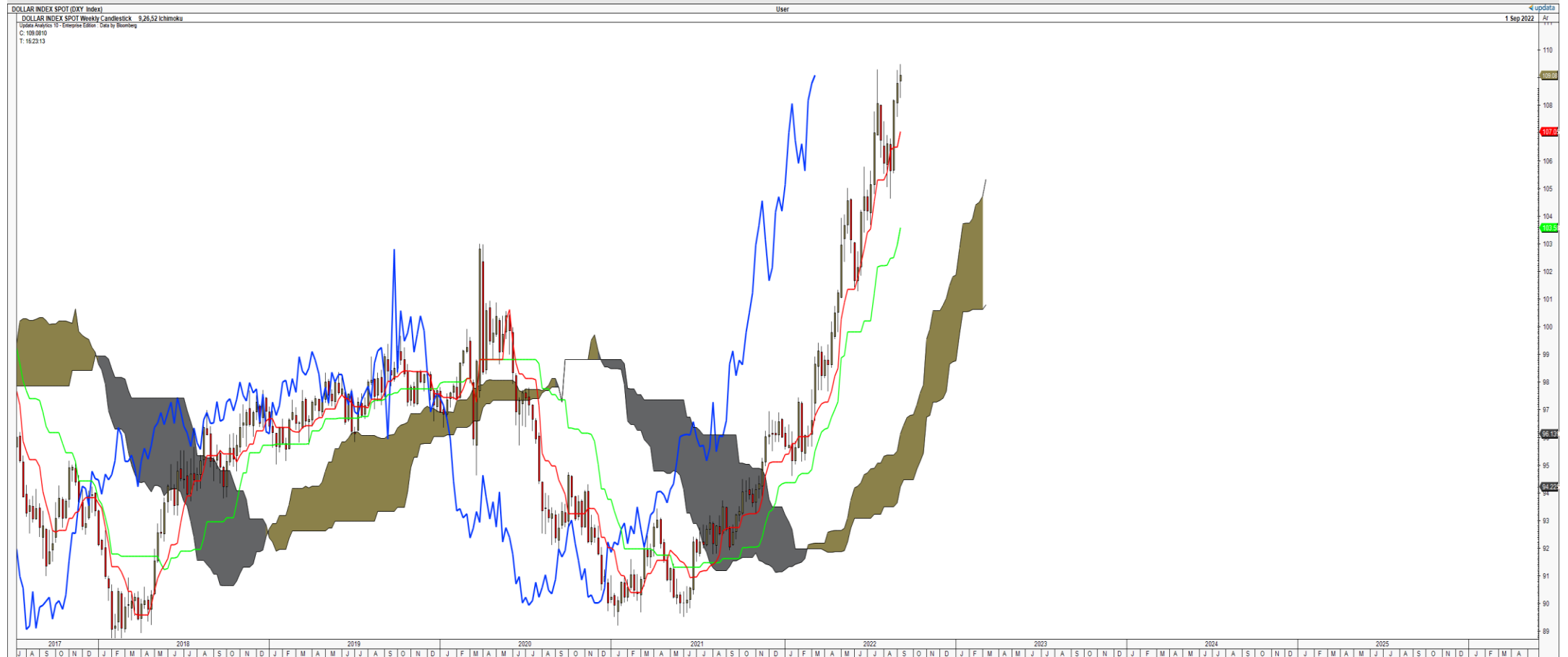
Overview of Managed Money Positioning in Silver (Futures only)

Net positioning crossed over into negative territory in July and Managed Money shorts spiked higher at a decent weighted average price. Scope for more negative positioning by historic levels.



The Dollar -DXY

Huge impulsive move continues in the Dollar. Again, the red turning line (at 107.05 now) remains the first important trend support.



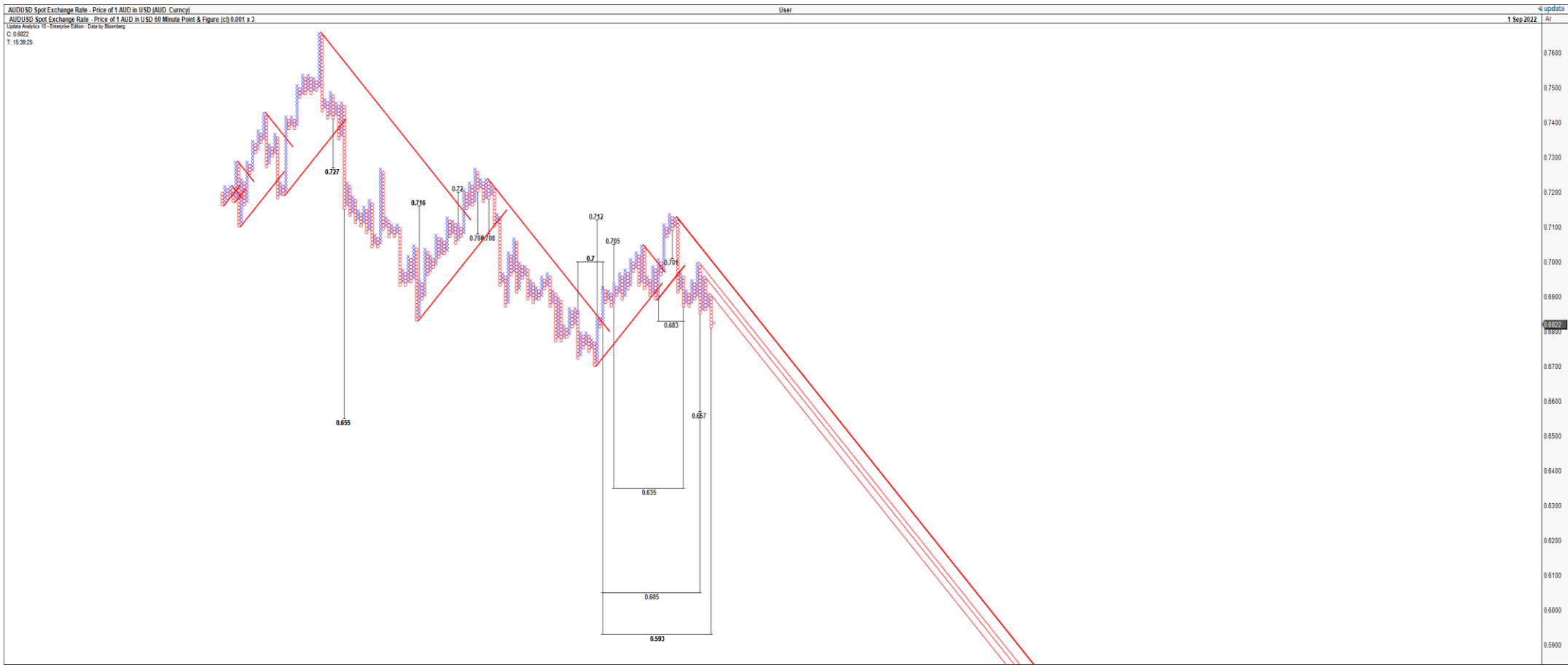
AUD Weekly Ichimoku Cloud

The key level is still the 50 % retracement (0.6759) of the up-move from the huge 2020 low. A re-test of that level seems likely. If that support is broken, 0.6465 the next key level to look out for.



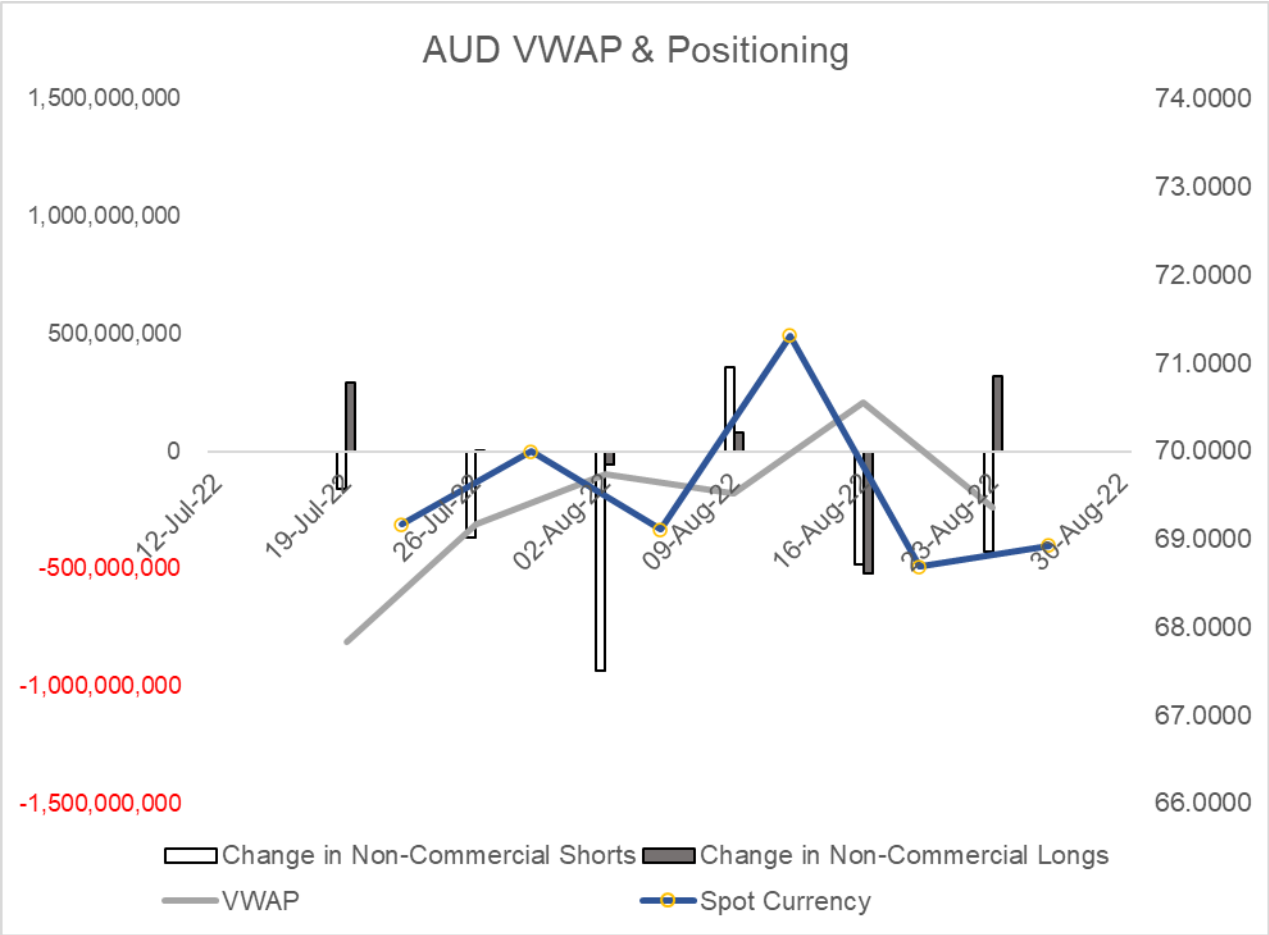
The AUD Hourly Point and Figure

The medium-term outlook contains multiple downside targets, with a cluster around 0.655. 0.699 the key resistance level.



AUD Positioning and VWAP

The change in AUD positioning has been dominated by a pronounced increase in shorts relative to longs. Long positioning is more or less unchanged.



Where to From Here?

Gold remains under considerable pressure from the hawkish monetary environment that has only been emphasized by central bank rhetoric at Jackson Hole.

Expectations for more aggressive tightening from the Federal Reserve have grown through August, and to some extent from the ECB.

US\$1680 remains a key level for gold - if that goes, then US\$1650 will come up quickly.

Silver may present an opportunity to the patient. Be mindful of the recent large short position should the spot price rally.

The AUD is likely to remain under pressure from external factors, both the rapid pace of US tightening, even compared with current expectations of the RBA policy moves, compounded by growing evidence of weak Chinese demand.

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 2022 high Daily Ichimoku Standard line as of 01 September 2022	
\$2,076.00		
\$1,756.00		
Support		
\$1,676.00	Just under recent low, adjacent to June 2020 lows	
\$1,587.00	Sept. intersect of Monthly trend line extending from 2018 lows	
Targets		
Upside		Probability
\$2,278.00	Basis 1 % Daily Point and figure	15.40%
\$2,172.00	Basis 2 % Daily Point and figure	19.50%
Targets		
Downside		Probability
\$1,670.00	Basis 0.20 % Hourly Point and figure (1 month)	33.53%
\$1,624.00	Basis 1 % Daily Point and figure (6 months)	25.64%
\$1,515.00	Basis 1 % Daily Point and figure	17.00%
All target probabilities basis spot: for 1 year (or shorter as indicated) and created by solving for option delta on the Bloomberg OVML function.		\$1,710.00

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