

Gold prices remain in the range between 1200 and 1300 despite declining gold holdings.

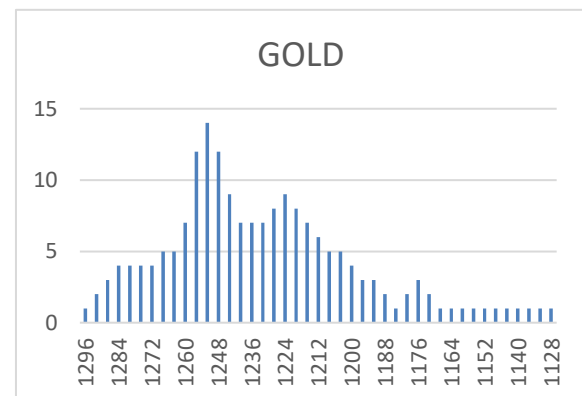
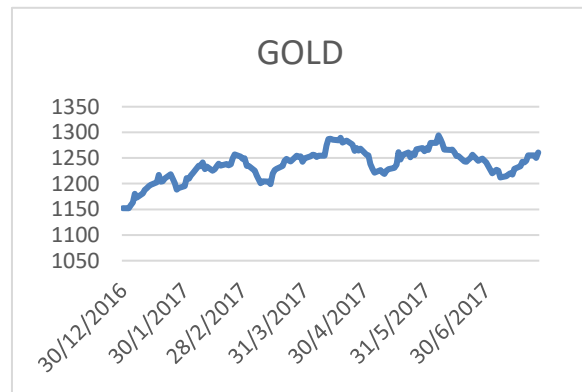
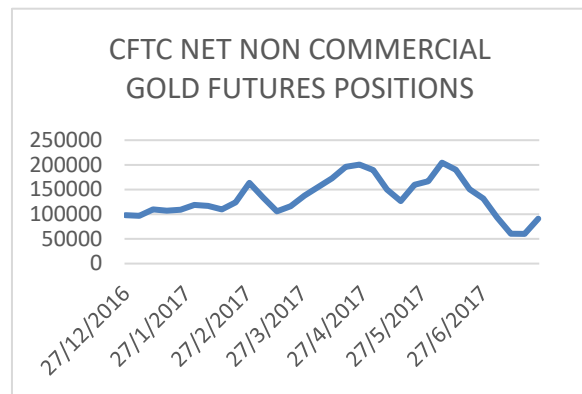
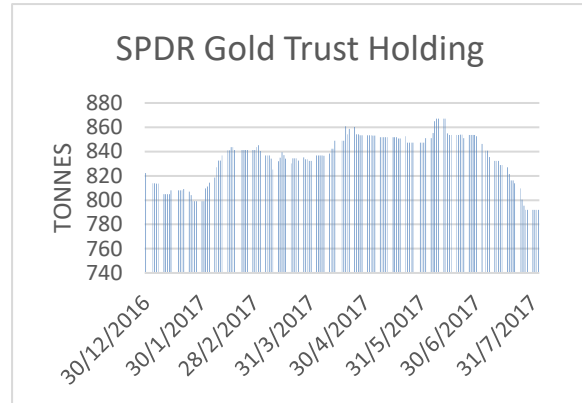
By Hawk Namiki

Market sentiment on gold has been changed since June 2017, especially after the Draghi's speech made on 27 June 2017, and with other central banks' policy changes. It appears that many investors have become optimistic about the economy in Europe and started to reallocate funds previously set aside to invest in gold, to other asset classes. SPDR gold holdings have dropped about 75 tonnes since 13 June 2017. Also, many net non-commercial long positions have not been unwound.

Under those conditions, gold should be trading much lower levels from here. However, it looks like the market has started to discount those negative factors. The market may also not have enough long positions to bring more sellers at lower prices. Gold price has bounced from the 1200 level, and this price action shows momentum to push gold prices back to the 1300 level again. It is not convincing to say that gold prices are headed higher under the current fundamentals, including the NFP numbers released on 4 August 2017. However, gold price still remains in the range between 1200 and 1300 and is waiting for the cue to make a move either way.

Fundamentally, we need to see how US tapering, reduction of fed balance sheet, Trump policy, European economic recovery and inflation will be developed further, but one thing to remember, those are not part of a main trend yet, as economic recoveries have not been robust yet. It is not necessary to chase the market either way for now as gold price remains in the 1200 and 1300 range, but being long may be a favourable position as the trend from 23 Dec 2016 still shows momentum to push gold prices above 1300 levels.

Besides, the range of the long-term trend which started back in February 2005 has been fixed between 412 to 1900, and waiting for a cue to make a move above 1300 or below 1100. Accepting value above 1300 should create further short squeeze and may even resume the long-term bull trend, or if below 1100, should shake off long positions and may head towards 880. For the choice, accepting value above 1300 will be the plan A as we have not seen the strong recovery of global economy.



Source of numbers and statistics from Bloomberg



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