



Gold & Silver technicals—always worth respecting

Given both the magnitude of the Silver price breakdown at respected floors (~\$22) and through to 1-year lows, while Gold is holding up relatively well in the face of large repricing higher in the US\$, it's worthwhile to analyze the technical landscape and assess where any critical inflection points lie for both. Note that the graph outlines less traditional technical price levels (*those are well advertised in the market*)—it showcases where Gold/Silver were trading at, during important macro events (e.g.: FOMC, US elections, COVID start), micro ones (e.g.: ABX/Rang merger, CB purchases) and gives rough estimates of positioning related trigger levels (COT, ETF accumulation).

The narrative today, is a continuation of the recent revival of the reflation trade—with commodities sharply up (much to do with idiosyncratic supply/demand issues around energy mktgs especially in Europe) and a repricing higher in US interest rates (10yrs now comfortably above 1.50%). Any near-term uncertainty (over debt ceiling, Feds taper, inflation worries, China etc) has then been channeled into the safety of the US\$ alone, which is dominant driver behind the persistent pressure in Gold & Silver.

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Near-term targets:

- The immediate targets for Silver include \$21.60 (the average price the bulk of ETFs are long at), \$20 (old resistance/new support inflection pt), and \$18.50 (the taper low price seen in 2013). On the upside, \$22 is now a new cyclical ceiling, with 50DMA at \$23.90 and one has to get to \$27.50 (the price of Silver before the word “taper” was flaunted in 2021)
- Gold is currently sitting at \$1730 (same level when Bitcoin hit its \$60K peak and all the furor was about cryptos, less so precious). The ever-important \$1675 handle (triple bottom but also near where the bulk of ETF holders are long at) is nearby. Beyond that, \$1560 is where Gold has technically erased all “COVID premium” (a stretch we believe). Gold needs to reclaim an old floor (\$1750) before 50DMA is in view (\$1786) which would put current CB purchases back ATM (they're currently long >\$1800)

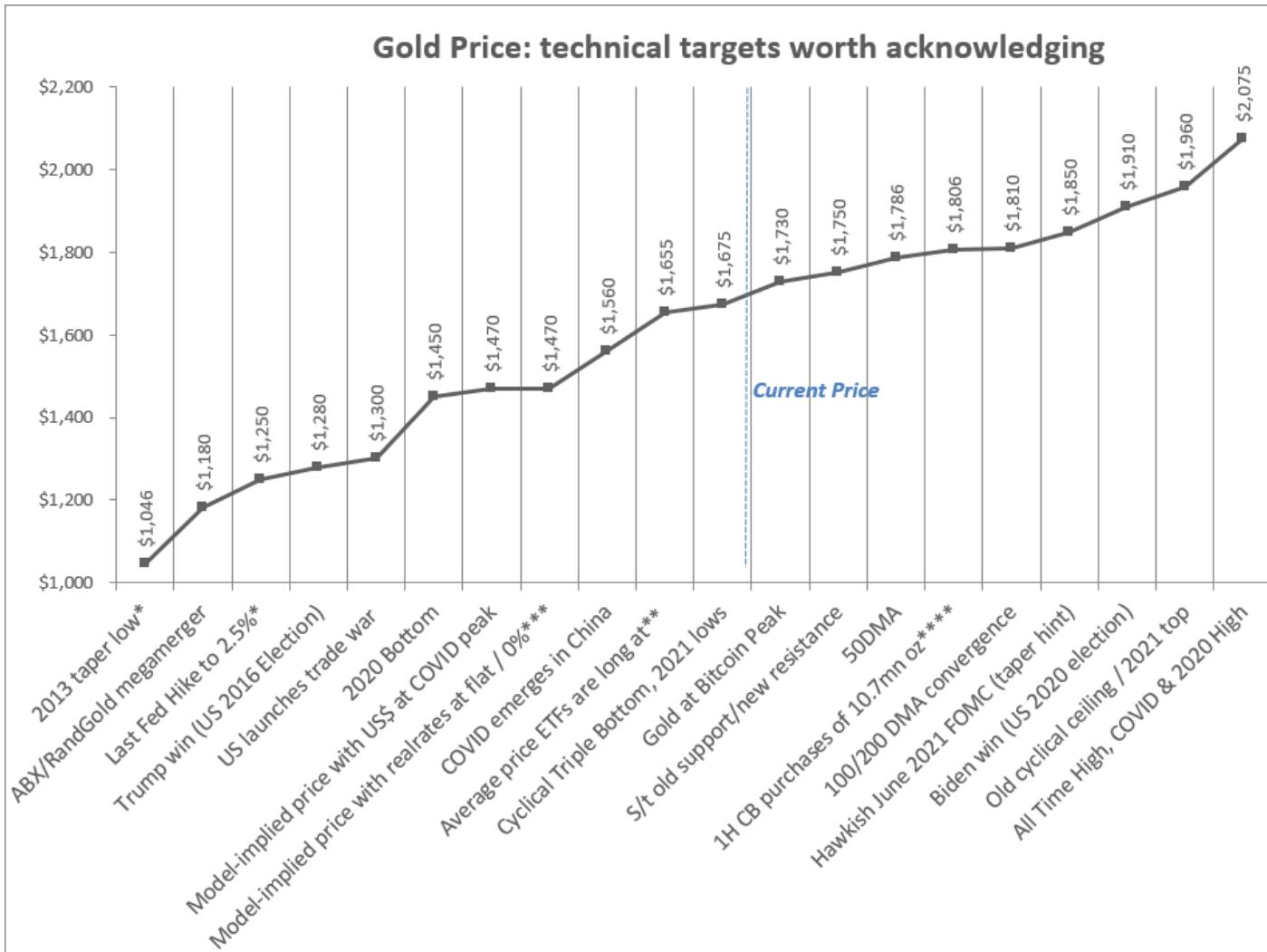


Known Gold & Silver participants are long or short at:

- The bulk of Gold ETF holdings purchased was >40mn oz from summer 2019 until the peak by US 2020 elections (November). These persistent buyers are and still not ‘offsides’ but its close, with the weighted average price of weekly purchases sitting at \$1655, \$60 below current prices.
- By contrast, Silver prices have already reverted to ‘pain levels’ for the bulk of Silver ETF holdings, with the average weighted price ETFs are long at being \$21.60 (that’s the ~380mn oz accumulated from COVID low in Mar 2020 to Feb 2021 peak).
- Gold fortunately has natural bids with CB global reserves expanding by 10.7mn in 1H 2021 (~40% higher vs the 5yr average). These recent entrants are, very roughly (!), long Gold at an average price of \$1806.
- Silver COT shorts have ramped up notable, almost doubling in 2months from gross short ~2%K contracts to 47K contracts now; these bears are short at an average price of ~22.95 and are well ITM. By contrast theres been no discernable trend in Gold COT shorts to longs to infer any price levels.

MACRO, the FED and other key numbers:

- Usually a \$ and/or rates breakout *precedes* a range repricing in \$-sensitive assets like Gold, which has been the case this time given USD is breaking up above 94 and 10yr yields are > 1.5%, on a resurgence of the reflation trade (higher commodities + higher rates). If the current repricing in rates & USD\$ continues, putting real yields out of negative territory, and the USD\$ back near COVID highs (which would be a massive move...), that implies Golds fair price is in the \$1450-\$1470 range
- The past December Fed hikes (Dec '15, '16 & '17) were unequivocally bullish Gold within the first 40days. The last Fed hike was Dec 2018 and Gold was \$1250 then; it thus essentially still has \$500 worth of COVID, macro fear and Fed easing priced in (this peak premium was over \$800 when it hit ATHs in 2020).
- Silver is relatively more sensitive to US\$ moves than Gold recently (its daily correlation with DXY YTD is -0.83, vs Gold at -0.67), thus any further \$ strength outlines the following lower levels for Silver: DXY at 96 (puts Silver at \$20.90), DXY at 100 (Silv at \$16.40) and DXY at COVID peak/102 (Silv at \$14.20).
- Gold has currently repriced to the level (\$1730) when XBT hit ATHs of >\$60K seen in April 2021. Bitcoin was a non-influencer of Gold while it remained contained \$30-\$40K, and arguably will remain so while it treads water in the \$40-\$50K given the regulatory overhang.
- Gold has convincingly not traded above \$1910—the level when Biden won US elections — despite several attempts during this recent Fed easing cycle; that was very surprising given the political/spending shift left & persistently bigger gov policies. However, with the Feds taper program providing stronger shorterterm headwinds (over longerterm bullish tailwinds like the US' fiscal path—see yesterday note), an out of leftfield catalyst is required for Gold to reclaim the Biden top (\$1910).



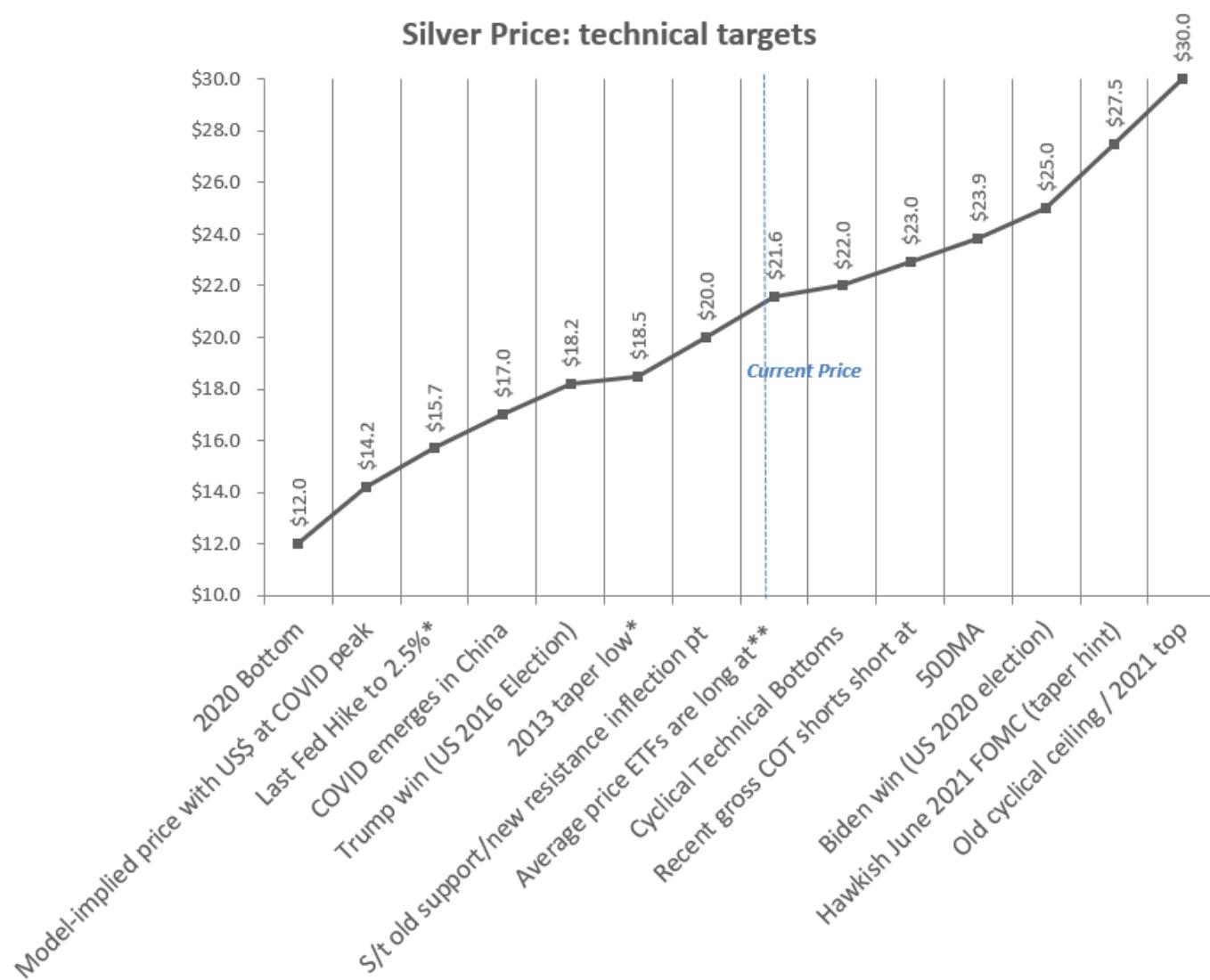
*Bernanke taper low put in, in 2015. * Last Fed hike was Dec 2018

** weighted average price of the bulk of ETF investors who added to Gold holdings from summer 2019 - Nov 2020 peak (+41mn oz)

*** 10year real rates = 10yr TSY - 10 BE. See Gold vs Real Rates Regression results

**** simply the average price of Gold during 1H21

Source: Bloomberg, MKS PAMP Group



*Bernanke taper low put in, in 2015. * Last Fed hike was Dec 2018

** weighted average price of the bulk of ETF investors who added to Silver holdings from March 2020 (low) - Feb 2021 peak (+380mn oz)

Source: Bloomberg, MKS PAMP Group



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