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25 October 2016



Gold holds and recovers from above the weekly trend line, with support now at US\$1241. The upward trend appears to be intact, with the price still above the weekly cloud top. Resistance should come in at US\$1288 and US\$1297 from the Weekly Standard and Turning lines respectively. US\$1292 has some resistance from the Daily Standard line.

Targets from point and figure charts are positive above the recent lows, with targets to US\$1286 short term and a grouping at US\$1324-1332 then US\$1389 – of course those would take some time to unfold.

Gold in Australian dollars has found support for two consecutive weeks at the Weekly cloud top in XAUAUD, at AUD1636, and recovered, which is positive. Look for AUD 1692-1698 in time.

CME positioning saw another reduction in gross managed money length and a small increase in gross shorts, meaning that net length declined by 1.78 million Ftozs, or by 12 pct. This reduction took place at a volume-weighted average of around US\$1258 in the week ending Tuesday the 18th October.

Net positioning has more than halved in size since the early July peak of 27.31 million Ftozs. In the period spanning last Tuesday to Thursday, open interest in the active month has risen by 502,000 Ftozs, suggesting that fresh buying has returned to gold on the recent dip.

Looking forward, gold has held some important levels, and shed significant gross length over the past seven weeks, which was the chief enemy of gold's progress. Gross length has dropped by 9.17 million Ftozs on the CME since early September, a decline of about 35 pct, and something that gold needed in order maintain a longer term rally, I think. Gross shorts have risen sharply over the last month; however in absolute terms positioning is relatively subdued.

10 year US Treasuries weakened to reach the targeted yield of 1.81 pct. Look for a return to 1.66-1.67 pct. as prices strengthen, and where resistance is likely.

GOLD	Bid	Offer
Gold Spot AUD	\$1,663.96	\$1,664.83
Gold Spot USD	\$1,265.86	\$1,266.19

	mid
Spot Silver	\$17.57
Spot Platinum	\$944.35
Spot Palladium	\$637.12

Week ending	CME VWAP
18 Oct 16	\$1,257.72
11 Oct 16	\$1,269.71

CME Change	Au		
Net Managed	13,726,000	Tozs	AUD 0.7607
Δ % Wkly	-12.03%	Wk	CNY 6.4684
Δ Toz Wkly	-1,651,600	Wk	EUR 1.0929
Δ Toz YTD	6,434,800	YTD	JPY 103.44

	52 week high (US\$)	Spot versus 52 week high	52 week low (US\$)	Spot versus 52 week low
Au	1,375.34	-7.95%	1,046.44	20.98%
Ag	21.14	-16.88%	13.65	28.74%
Pt	1,194.64	-20.95%	810.75	16.48%
Pd	747.1	-14.72%	451.85	41.00%

	%
US 10 Year YTM	1.7347
US 30 Year YTM	2.4846
10 Year Bund YTM	0.005
LME 3 month CA	\$4,638.00
LME 3 month AH	\$1,630.50
LME 3 month NI	\$10,105.00
LME 3 month ZN	\$2,312.00

	Benchmarks
Au AM	\$1,263.95
Au PM	\$1,266.05
Ag	\$17.51
Pt AM	\$926.00
Pt PM	\$927.00
Pd AM	\$622.00
Pd PM	\$619.00

CME Change			
TOCOM Net	180,993	Tozs	
EFT position worldwide	66,218,656	Tozs	WTI \$50.95
Δ %	0.26%	Dly	
Δ Toz	170,920	Dly	
Δ Toz YTD	867,248	YTD	

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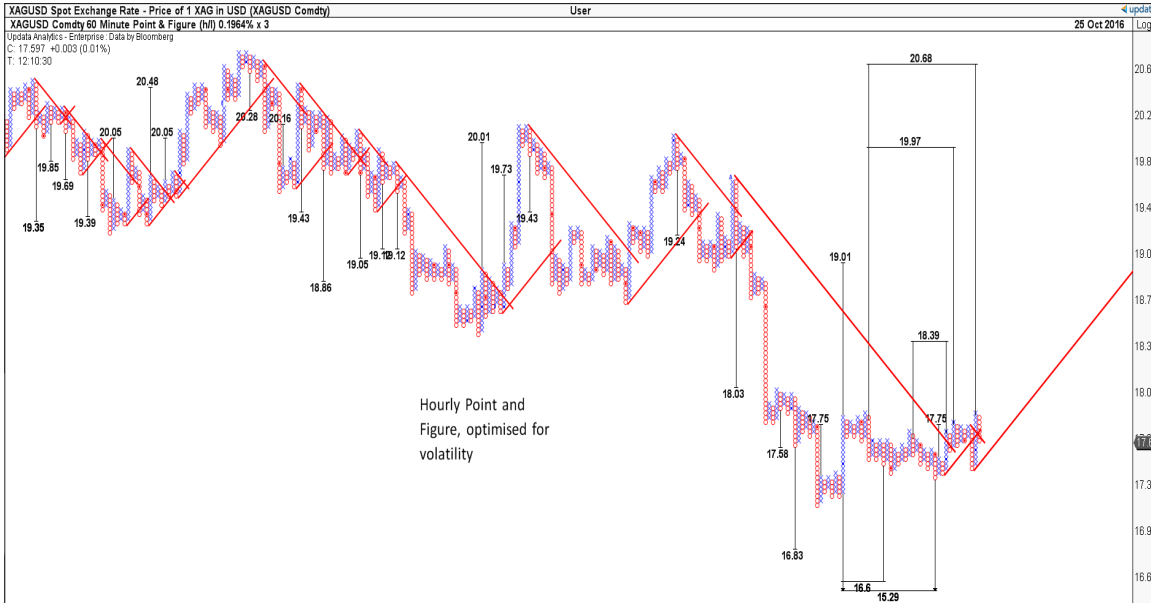
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Silver remains above the trend line support but has made no recovery to speak of in USD terms, and in the short term, US\$17.27 remains an important support. Deeper support comes in at US\$16.11 from the Weekly Cloud top. There is a band of resistance at US\$18.421-18.62 from the Weekly Standard and Turning Lines. The medium trend is intact, with the price prevaricating around the 50 pct. Retracement of the 2016 rally.

Positioning expressed via the CME shows that gross managed money longs sold 17.345 million Tozs in the week ending Tuesday the 18th. Meanwhile, gross shorts grew by 5.055 million., at of which took place at a VWAP of US\$17.54. Last Wednesday to Thursday saw open interest increase by 8.21 million Tozs – followed by a decline of 9.53 million tozs on Friday – possibly some reduction coming from the speculative short-sellers seen since the end of September?

Global silver ETFs have increased very slightly, to 672,553,540 Tozs (October 21st.)

The outlook suggests a reasonable probability of a further decline to US\$16.80-83, where the price may turn to cycle higher. Above US\$17.30, look for a return to US\$18.10-18.15. Option pricing suggests a 0.28 probability of a move to US\$16.80 in 1 month, with a roughly one in three chance of a move to US\$18.10 in that period.

After jumping on low stock data last week, crude prices have weakened as Iraq prevaricates over joining OPEC production cuts. Support comes in at US\$49.41 from the Weekly Turning line, and lurks at US\$47-47.60 from the cloud top and Standard line. As pointed out by my former colleague, John Kemp, the forward curve for Brent seems to indicate that the market is discounting the effects of future supply cuts, with the market remaining in a decent contango. Price targets extend to US\$55 and US\$59.

Both longs and shorts in WTI declined last week, gross longs marginally more so, as both sides lost some conviction over price action. Brent saw an increase in speculative shorts.

SILVER	Bid	Offer
Silver Spot AUD	\$23.11	\$23.13
Silver Spot USD	\$17.56	\$17.58

	52 week high (US\$)	Spot versus 52 week high	52 week low (US\$)	Spot versus 52 week low
Au	1,375.34	-7.95%	1,046.44	-98.32%
Ag	21.14		13.65	
Pt	1,194.64		810.75	
Pd	747.1		451.85	

	mid
Spot Gold	\$1,266.03
Spot Platinum	\$944.35
Spot Palladium	\$637.12

	%
US 10 Year YTM	1.735
US 30 Year YTM	2.485
10 Year Bund YTM	0.005

Week ending	CME VWAP
18 Oct 16	\$17.54
11 Oct 16	\$17.76

CME Change	Ag		
Net Managed	215,860,000	Tozs	AUD 0.7607
Δ % Wkly	-9.48%	Wk	CNY 6.4684
Δ Toz Wkly	-22,600,000	Wk	EUR 1.0929
Δ Toz YTD	32,650,000	YTD	JPY 103.44

	Benchmarks
Ag	\$17.51
Au AM	\$1,263.95
Au PM	\$1,266.05
Pt AM	\$926.00
Pt PM	\$927.00
Pd AM	\$622.00
Pd PM	\$619.00

EFT position worldwide	672,553,540	Tozs	WTI \$50.95
	0.00%	Wk	
Δ Toz change	0	Wk	

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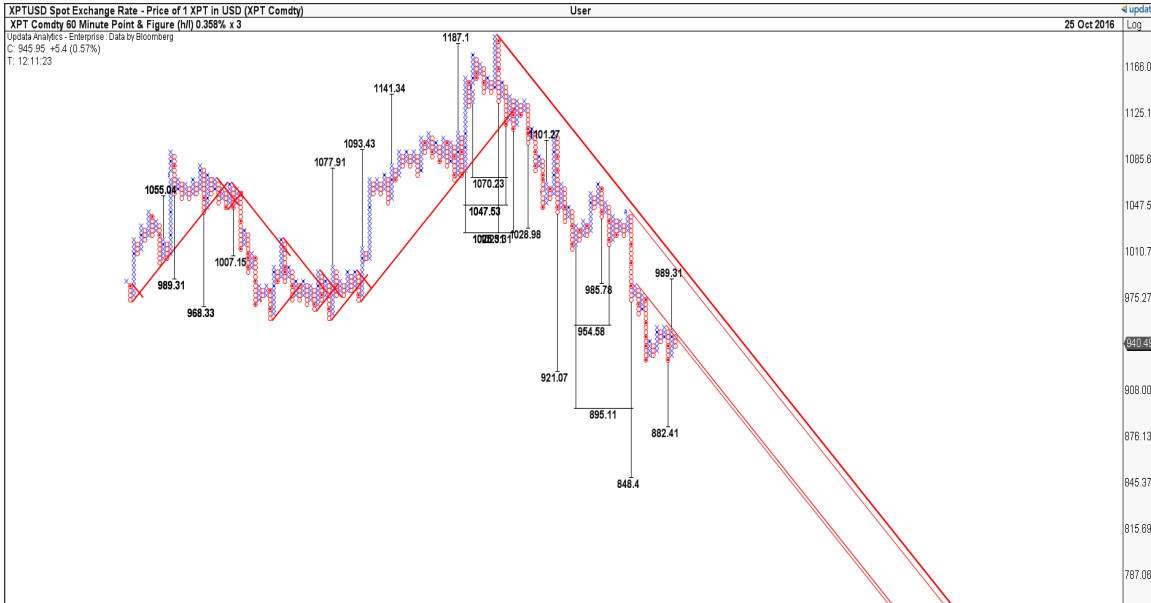
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The market has not managed any kind of meaningful recovery from the lows remains below the Weekly cloud, with resistance at US\$981. Above the recent low, look for a recovery to US\$989, briefly, while the price tangles with the aforementioned resistance. Downside targets extend to US\$895 and US\$882 in the medium-term.

CME positioning saw gross Managed money longs drop by about 50,000 Tozs to 1.363 million Tozs. Managed money shorts added an impressive 190,300 Tozs to take their total gross positioning to 1.038 million Tozs. The VWAP was A\$945.20. Subsequently, open interest in the active CME contract increased over the subsequent couple of days of price declines which suggests some more short selling. The long-short ratio of 1.31 is very low, fairly close to the all-time low of the last six years, which was 1.20.

Global ETF positions are very slightly higher, at 2,291,148 Tozs. As with other metals, ETFs remain sticky and committed to a bullish outlook despite some eye-watering price declines.

The AUD experience slightly more speculative inflows in the week to the 18th of October, with net speculative length growing by 387.630 million A\$ at a VWAP of A\$75.791. Since the 27th of September, AUD speculative longs have added about 3.25 billion A\$ to their gross positioning at an estimated VWAP of A\$76.034. (Open interest has increased by A\$126 million since last Tuesday, but is unclear whether shorts are adding or longs are...)

Technically, the last three days have seen the AUD find support at the Daily Cloud top at A\$0.759. A drop below that level would be bearish in the short term, targeting 0.749 initially, and then A\$73.40, but first of all there is decent support to fight through from the Weekly Cloud top at A\$0.75 and the Weekly Standard line at 0.746.

PLATINUM	Bid	Offer
Platinum Spot AUD	\$1,240.39	\$1,244.90
Platinum Spot USD	\$942.70	\$946.00

	mid
Spot Gold	\$1,266.03
Spot Silver	\$17.57

Week ending	CME VWAP
18 Oct 16	\$945.20
11 Oct 16	\$977.76

CME Change	Pt		
Net Managed	325,150	Tozs	AUD 0.7607
Δ % Wkly	-0.43%	Wk	CNY 6.4684
Δ Toz Wkly	-240,650	Wk	EUR 1.0929
Δ Toz YTD	-764,200	YTD	JPY 103.44

	52 week high (US\$)	Spot versus 52 week high	52 week low (US\$)	Spot versus 52 week low
Au	1,375.34	-31.34%	1,046.44	-9.76%
Ag	21.14		13.65	
Pt	1,194.64		810.75	
Pd	747.1		451.85	

Eurozone new car	853,782	Mo
Share of Diesel	51.6	An
Chinese total pt imports	5.447	Mo

	Benchmarks
Pt AM	\$926.00
Pt PM	\$927.00
Pd AM	\$622.00
Pd PM	\$619.00
Au AM	\$1,263.95
Au PM	\$1,266.05
Ag	\$17.51

TOCOM Net	746,428	Tozs
EFT position worldwide	2,291,148	Tozs
Δ Toz change	11,565	Wk
WTI	\$50.95	

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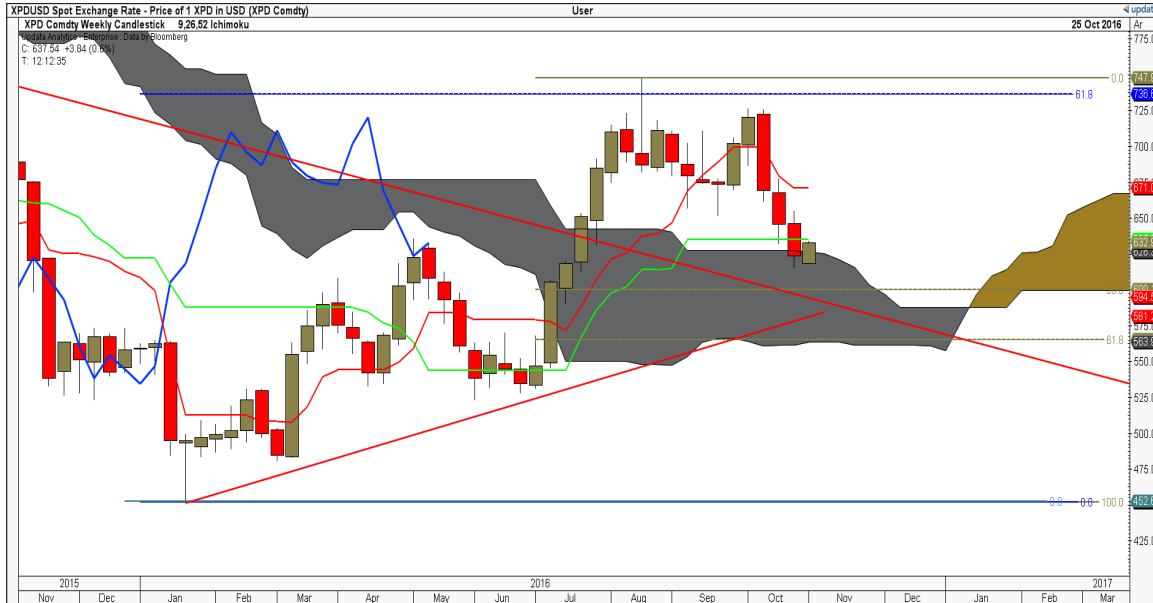
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Palladium broke down into the Weekly Cloud and looks as if it is finding support there. Expect additional support at US\$597. The short term outlook implies a move back higher after hitting the US\$620 level, and in that regard, look for US\$646.

CME positioning shows that gross managed money longs discarded an impressive 320,600 Tozs of length in the week ending the 18th of October at a VWAP of US\$646. This was a 20 pct. reduction in gross length in the space of one week. On the other hand, managed money shorts started to trim positions, admittedly only by a small degree, but the selling seen at the beginning of October around US\$711 looks like being bought back. Since last Tuesday, open interest in the December contract has fallen by around 105,000 Tozs as the price fell further still, implying further long liquidation?

Global palladium ETFs are very slightly reduced in length at 2,022,186 Tozs, as of the 24th of October.

EU Passenger car registrations increased by 7.20 pct. in September, with platinum-centric commercial vehicle sales up 6 pct. in September, up 13 % over the nine months so far.

PALLADIUM	Bid	Offer	mid
Palladium Spot AUD	\$836.43	\$840.31	Spot Gold \$1,266.03
Palladium Spot USD	\$635.69	\$638.55	Spot Silver \$17.57

Week ending	CME VWAP
18 Oct 16	\$646.08
11 Oct 16	\$674.73

CME Change	Pd	Tozs	AUD
Net Managed	1,004,800	Tozs	0.7607
Δ % Wkly	-23.50%	Wk	CNY 6.4684
Δ Toz Wkly	-308,700	Wk	EUR 1.0929
Δ Toz YTD	327,400	YTD	JPY 103.44

	52 week high (US\$)	Spot versus 52 week high	52 week low (US\$)	Spot versus 52 week low
Au	1,375.34	-53.68%	1,046.44	-39.12%
Ag	21.14		13.65	
Pt	1,194.64		810.75	
Pd	747.1		451.85	

	Benchmarks
Pd AM	\$622.00
Pd PM	\$619.00
Pt AM	\$926.00
Pt PM	\$927.00
Au AM	\$1,263.95
Au PM	\$1,266.05
Ag	\$17.51

EFT position worldwide	Tozs	WTI
2,012,708	Tozs	\$50.95
0.15%	Wk	
Δ Toz change	-6,257	Wk

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