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- Gold to silver ratio has dropped to its lowest level since September, 2014, and is currently trading near 65.38. It hit a high of 127.10 in March 2020, and lost almost 48% from the top. Gold is trading near a 3-week high, following safe-haven demand in precious metals. Silver prices also found support from positive economic data. Silver prices have rallied nearly 16% in the last four trading sessions, from the low of 24.71, to today's high of 28.90. The silver rally was triggered, after a post circulated on Reddit urging retail investors to buy silver mining stocks and iShares Silver Trust, an exchange traded fund (ETF), backed by physical silver bars, in a GameStop-style squeeze.
- Meanwhile on the economic data front, US December personal spending fell -0.2% m/m, stronger than expectations of -0.4% m/m. December personal income rose +0.6% m/m, stronger than expectations of +0.1% m/m. The January Chicago PMI unexpectedly rose +5.1, to a 2-1/2 year high of 63.8, stronger than expectations for a decline to 58.5.
- Also, stronger U.S. inflation data is supportive for gold. The U.S. December PCE core deflator rose +1.5% y/y, stronger than expectations of +1.3% y/y. The U.S. Q4 employment index rose +0.7% q/q, stronger than expectations of +0.5% q/q.
- The German Q4 GDP of +0.1% q/q, and -2.9% y/y, stronger than expectations of remaining unchanged q/q, and -3.2% y/y. The German January unemployment change unexpectedly fell -41,000, showing a stronger labour market, than expectations of +7,500.
- Japan's December industrial production dropped -1.6% y/y, against expectations of -1.5% y/y, which is the biggest decline in 7 months. Japanese December housing starts fell -9.0% y/y, to a 9-year low of 784,000 annualized, weaker than expectations of -3.9% y/y, to 815,000 annualized.
- ECB Governing Council Member, Makhoul's comments are negative for gold prices. He said that he's cautiously optimistic about the economic outlook in the Eurozone and an interest rate cut is "not warranted" right now.
- According to the CFTC Commitments of Traders report for the week ended January 26, net long for gold futures increased +10,908 contracts to 257,546, for the week. Speculative long positions rose +6,025 contracts, while shorts dropped -4,883 contracts.

Outlook

- The positive trend is likely to continue in Silver, while Gold prices are likely to find support at the 200-days EMA at \$1,833 per ounce, while key resistance is likely to be seen around \$1,875-\$1,880 levels.

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- Crude oil prices are hovering around \$52.5 per barrel. Oil prices are likely to trade negative, following increasing production in the US. Monthly EIA data on Friday showed that US November crude production rose +6.6% m/m, to 11.124 million bpd, the most since April. Also, U.S. gasoline demand in November fell -3.4% m/m, to 8.26 million bpd.

- ▲ Crude oil prices are likely to remain under pressure, on the back of the worsening covid pandemic situation. The overall number of global coronavirus cases has topped 103.4 million, while the deaths have surged to more than 2.23 million, according to the Johns Hopkins University.
- ▲ The Chinese government is discouraging travel during the upcoming Lunar New Year holidays, due to the resurgence of Covid. The Xinhua news agency last Tuesday reported that the China State Railway Group cut its estimate for the number of travelers over the holiday period, to 296 million, from 407 million, citing low train ticket bookings.
- ▲ However, positive Eurozone economic data from the Eurozone is providing support to crude oil prices. German Q4 GDP of +0.1% q/q, and -2.9% y/y, was stronger than expectations of remaining unchanged q/q, and -3.2% y/y. Also, the German January unemployment change unexpectedly fell -41,000, showing a stronger labour market, than the expectations of +7,500. In addition, the January unemployment rate was unchanged at 6.0%, showing a stronger labour market than expectations of 6.1%.

Outlook

- ▲ WTI Crude oil prices for the March expiry contract are likely to find support near the 20-days EMA at \$51.80 per barrel. Meanwhile, critical resistance is seen around \$54.85 per barrel, and \$56.13 per barrel.

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