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GOLD PRICES AWAIT FED MEETING NEXT WEEK

- ▲ After reaching a high of \$1810.60 on September 14th, Comex gold prices were unable to persist above a critical psychological threshold of \$1800, and prices retraced back to current market values of \$1785.
- ▲ The strength of the dollar index against other currencies has lowered demand for gold as a safe haven asset. Gold, on the other hand, is anticipated to receive new direction from the US Federal Reserve's meeting, which will provide information on the timing of the Fed's stimulus withdrawal and interest rate hikes. On September 21-22, the Federal Reserve will meet.
- ▲ The net long position in Gold futures fell by 10511 contracts to 206039, according to the CFTC Commitments of Traders report for the week ended September 7. Long speculative positions fell by 4987 contracts, while short speculative positions rose by 5524 contracts. A new decrease in gold prices this week is likely to exacerbate the short position in the days ahead.
- ▲ Gold prices, on the other hand, were bolstered by poor Chinese economic statistics, which triggered global growth concerns. China's industrial production increased by 5.3% y/y in August, less than expected at 5.8% y/y and the worst pace in 13 months. Also, retail sales in China climbed +2.5 percent year over year in August, below estimates of +7.0 percent and the weakest gain in a year.
- ▲ For the dollar and gold, other global economic data on Wednesday was mixed. Industrial production in the Eurozone increased by +1.5 percent m/m in July, above expectations of +0.6 percent m/m for the first time in eight months. Manufacturing output in the United States increased by 0.2% m/m in August, falling short of estimates of +0.4% m/m. In contrast, the September Empire manufacturing survey unexpectedly jumped +16.0 to 34.3, above predictions of a decrease to 17.9.
- ▲ Due to the worldwide spread of the delta Covid variant, which is expected to stymie global economic recovery, gold prices are projected to benefit from safe-haven demand. According to Johns Hopkins University, the global coronavirus caseload has reached 226.3 million, with more than 4.65 million deaths and more than 5.77 billion vaccines.

Outlook

- ▲ Ahead of the US Federal Reserve meeting next week, gold prices are expected to remain in the range of \$1810-\$1771 level. Near \$1781-\$1771 is an immediate support level, while \$1798-\$1810 is a major resistance level.

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