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GOLD PRICES ARE BEING HELD BACK BY STRONG RESISTANCE IN THE \$1795-\$1805 RANGE

- ▲ Gold prices are now approaching \$1775 per ounce, slightly higher than Monday's low of \$1760.30, but still below last week's high of \$1801.90. Reduced financial market concerns in China, on the other hand, are expected to keep gold prices under control. Concerns about Chinese property debt lessened yesterday as the People's Bank of China indicated it can "contain" the risks presented by China Evergrande Group to the Chinese economy and financial system.
- ▲ On the global economic data front, home starts and building permits in the United States declined more than expected in September, which is bullish for gold. Housing starts fell surprisingly -1.6 percent m/m in September, falling to a 5-month low of 1.555 million, below estimates of stable at 1.615 million. Building permits, a leading indicator of future construction, decreased -7.7% m/m in September to a one-year low of 1.589 million, falling short of estimates of 1.680 million.
- ▲ When ECB Governing Council member Villeroy claimed "there is no rationale for the ECB to raise interest rates next year" because inflation will fall below the ECB's 2 percent target, his views are expected to support gold prices. However, comments by Fed Governor Waller did not bode well for precious metals, as he stated that the Fed should begin tapering its bond-buying programme next month, albeit interest-rate hikes are "still some time away." According to Bloomberg, traders in the United States are now pricing in a full rate hike at the Federal Reserve's September policy meeting next year. With the exception of the European Central Bank, many of the world's central banks are projected to proceed at a faster rate.
- ▲ Gold prices are also under pressure as fears of a global epidemic fade, which is good news for the global economy. The pandemic in the United States has improved after the seven-day average of new Covid infections in the United States fell to a two-and-a-half-month low of 84,798 on Sunday. This month, India relaxed numerous restrictions on reducing average daily Covid cases.
- ▲ The net long of gold futures increased by 2957 contracts to 185539, according to the CFTC Commitments of Traders report for the week ending October 12. The number of speculative longs increased by 2564 contracts, while the number of speculative shorts decreased by 393 contracts.

Outlook

- ▲ Gold prices are expected to remain under pressure and meet stiff resistance around \$1795 and \$1805, while immediate support is anticipated to be found around \$1750 and \$1738.

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