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Gold prices are likely to remain under pressure

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## For the time being, gold prices are likely to remain under pressure

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- On the back of declining safe haven demand as the Federal Reserve prepares to taper, gold has slipped to \$1750 after a recovery to \$1766 from a low of \$1721.10 last week.
- According to Bloomberg data, weekly withdrawals from gold ETFs totaled 18 tonnes last week, the highest weekly outflow since March. At the same time, hedge funds trading Comex futures cut their net-long position to a seven-month low. The net long of gold futures fell by 19248 contracts to 168399, according to the CFTC Commitments of Traders report for the week ended September 28. Speculative long positions fell by 2856 contracts, while short positions rose by 16392 contracts.
- Meanwhile, the Fed's comments on Friday were dovish for central bank policy, supporting gold's upward trend. The job market has a long way to go before it heals, according to Minneapolis Fed President Kashkari, who believes the Fed will not raise interest rates until 2024.
- For gold prices, the global economic data was mixed. Large manufacturing business conditions in Japan unexpectedly rose +4 to a 2-3/4-year high of 18, outperforming expectations of a decline to 13. The consumer confidence index in Japan increased by 1.1 to a 19-month high of 37.8, beating expectations of 37.5. The CPI in the Eurozone rose +3.4 percent y/y in September, exceeding expectations of +3.3 percent y/y and marking the largest increase in 13 years.
- Retail sales in Germany increased by 1.1 percent m/m in August, falling short of expectations of +1.5 percent m/m. Personal spending in the United States increased by +0.8 percent m/m in August, exceeding expectations of +0.7 percent m/m. In addition, the September ISM manufacturing index unexpectedly rose +1.2 to a 6-month high of 61.1, beating expectations of a drop to 59.5. Furthermore, the University of Michigan's September consumer sentiment index increased by 1.8 points to 72.8, exceeding expectations of no change at 71.0.
- After the 7-day average of new U.S. cases, the pandemic in the United States has improved. On Thursday, the number of Covid infections fell to 112,960, a three-and-a-half-month low. Gold prices, which had been rising due to safe-haven demand, are likely to be capped.

### Outlook

- Gold prices are likely to continue their short-term downward trend as long as they remain below key resistance levels such as the 20-day EMA at \$1765 and the 50-day EMA at \$1784. It will most likely find a strong support base in the \$1731-\$1705 range.

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