DAILY ANALYSIS REPORT

Monday, November 8, 2021

Gold prices are being supported by the prospect of inflation and loose monetary policy

GOLD PRICES ARE BEING SUPPORTED BY THE PROSPECT OF INFLATION AND LOOSE MONETARY POLICY

- Following a significant rebound on Friday, gold prices are hanging at $1816.65, amid a dip in global bond yields last week. On Monday, sovereign government bond rates in the euro area remained near multi-week lows, continuing the downward trend that began last week as investors lowered their expectations for aggressive interest rate hikes from major central banks in the face of rising inflationary threats. Non-yielding gold prices benefit from low interest rates.
- Fed Chair Jerome Powell last week stressed that the start of monetary tapering didn't mean rate hikes were coming any time soon. Additionally, ECB Governing Council member Holzmann said no interest rate hike by the ECB in 2022 is in line with current ECB guidance.
- On the economic front, nonfarm payrolls in the United States increased by +531,000 in October, exceeding estimates of +450,000, while nonfarm payrolls in September were revised upward to +312,000 from the previously reported +194,00. In addition, the unemployment rate in October declined -0.2 to a 19-month low of 4.6 percent, indicating a healthier job market than the 4.7 percent expected. In addition, Sep consumer credit rose +$29.913 billion, stronger than expectations of +$16.000 billion. Gold prices found additional support from hedge against inflation demand after U.S. Oct average hourly earnings rose +4.9% y/y, the biggest year-on-year increase in 8 months.
- The euro was pulled down by weak economic data after Eurozone retail sales unexpectedly dipped -0.3 percent m/m in September, falling short of estimates of +0.2 percent m/m. In addition, German industrial production declined -1.1 percent m/m in September, missing expectations of +1.0 percent m/m.
- Export growth in China exceeded expectations, reinforcing a more optimistic outlook for the global economy. Exports from China increased by 27.1 percent in October compared to the same month a year ago, slower than the +28.1 percent increase in September, but still higher than the forecasted growth of 24.5 percent.
- Gold prices found support after Covid-pandemic in the U.S. has worsened slightly after the 7-day average of new US Covid infections rose to a 2-week high Wednesday of 78,398.
- According to the CFTC Commitments of Traders report for the week ending November 2, the net long position in gold futures climbed by +569 contracts to 215 129. Speculative shorts were down -3124 contracts and longs were down -2555 contracts. In the upcoming data release, a fresh price surge from last week is likely to raise net long position.
- Meanwhile, according to Bloomberg statistics, exchange-traded funds reduced their gold holdings by 31,954 troy ounces in the most recent trading session, bringing the year's net sales to 9.03 million ounces. This was the sixth consecutive day of losses. This year, the total gold held by ETFs declined 8.4% to 98 million ounces, the lowest level since May 13, 2020. The largest precious-metals ETF, State Street's SPDR Gold Shares, maintained its holdings in the latest session. The fund's entire holdings of 31.4 million ounces are worth $57 billion.

Outlook

- Gold prices are expected to trade higher as long as they remain above key support levels such as the 20-day EMA of $1791 and the 50-day EMA of 1786, with immediate resistance predicted around $1823-$1838.

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