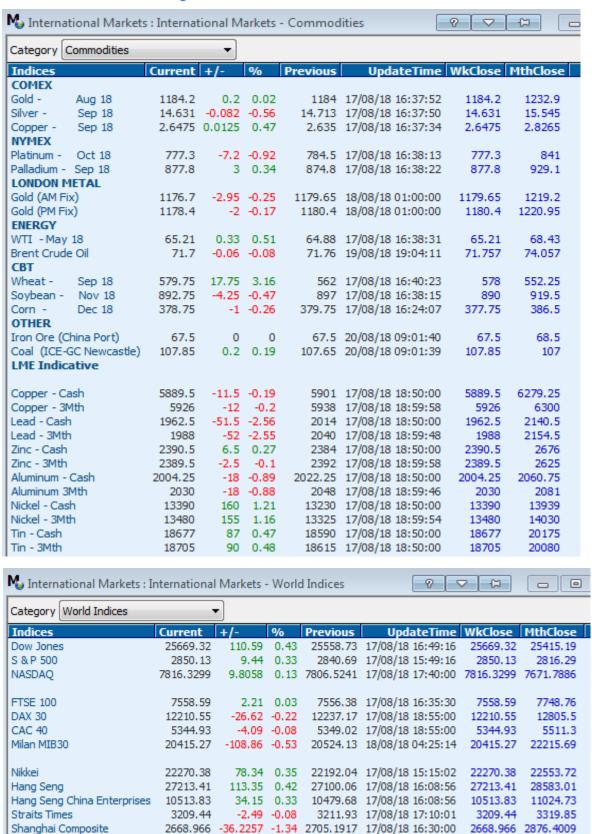


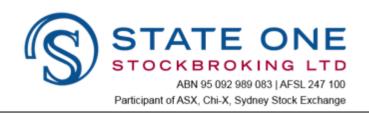
172 St Georges Terrace PERTH WA 6000 PO Box 7625 CLOISTERS SQUARE WA 6850 ROYAL EXCHANGE NSW 1225 P: +61 8 9288 3388

Suite 606, Level 6 83 York Street SYDNEY NSW 2000 PO Box R1931 P: +61 2 9024 9100

# **Daily Resources Overview**

## 20 August 2018





## PRECIOUS METALS COMMENTARY

Make no mistake about it; this was a terrible week for those wishing to see gold prices move higher. In fact, gold prices lost almost 3% on the week - one of the most significant weekly drops in over a year. However, the last two trading days have provided an indication that gold pricing might, in fact, be finding some price support.

What was most impressive about the price recovery on Thursday was how dramatically gold pricing rebounded after reaching a low of \$1,167 per ounce, before closing at \$1,183. **Declines in gold pricing over the last couple of months have been directly tied to U.S. dollar strength.** It is the dollar which is leading gold prices, and not the other way around. Over the last couple of days, the dollar has been losing value, and today is currently trading off by over half a percent at 96.005. It is yesterdays and today's decline in dollar value that has been instrumental in taking gold prices from the recent lows to higher ground.

Meanwhile, last week's Commitment of Traders (CoT) report showed large speculators and hedge funds being short gold by enormous amounts, which continues to set an all-time record net-short managed money position for three weeks running. The net-spec position declined to 5.6% or 25K contracts, which is in historical major bottom territory. Since there is no immediate catalyst on the horizon for the metal of kings, the higher this managed money short position runs, the inevitable mean reversion becomes potentially more explosive once a catalyst materializes. When a commodity has a record short position, it will ultimately have record buybacks.

Furthermore, the commercial "hedgers" have been closing out short positions and by now may be getting close to zero. Commercials have a much better track record than speculators in the gold market and a short position close to zero, like we saw in late 2015, is a sign we are near a major bottom. The CoT report is released each Friday but only contains Tuesday's data, so there is a three-day lag between the report and the actual positioning of traders. This means the futures trading information from Wednesday's big sell-off will not be included in this week's CoT release, issued today at 3:30pm EST.

Market sentiment is also becoming extremely bearish with the Percent Bullish among newsletter publishers, tracked by Consensus-inc's "Consensus Bullish Sentiment Index", recently dropping to 24% - the lowest it's been since 2004. Moreover, the Gold Miners Bullish Percentage (\$BPGDM) Index is down below 17% bulls this week as well. Based on the recent CoT report and sentiment research, the gold market is a rocket on the launchpad, waiting for ignition. However, we will need to see a fundamental catalyst before the record speculator short position in gold futures begins to be unwound. Source: Kitco

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Alan Hill Executive Chairman Phone: +61 8 9288 3388 ahill@stateone.com.au

Morris Levitzke Equities Advisor Phone: +61 8 9288 3315 mlevitzke@stateone.com.au

Dawn Chia Business Development Manager Phone: +61 8 9288 3336 Dawn.Chia@stateone.com.au Ric Heydon Equities & Derivatives Advisor Phone: +61 8 9288 3307 rheydon@stateone.com.au

Graeme Johnson Equities & Derivatives Advisor Phone: +61 8 9288 3316 gjohnson@stateone.com.au

David Zhang Equities Advisor Phone: +61 2 9024 9130 dzhang@stateone.com.au Mark Sullivan Institutional Dealer Phone: +61 2 9024 9134 msullivan@stateone.com.au

Yitz Barber Equities Advisor Phone: +61 2 9024 9107 ybarber@stateone.com.au

David Brennan Senior Investment Analyst Phone: +61 2 9024 9142 dbrennan@stateone.com.au Thomas Tan Equities Advisor Phone: +61 2 9024 9131 ttan@stateone.com.au

Tammie Wong Equities Advisor Phone: +61 2 9024 9133 twong@stateone.com.au

Blair Spaulding Client Services Officer Phone: +61 8 9088 3319 blair.spaulding@stateone.com.au

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