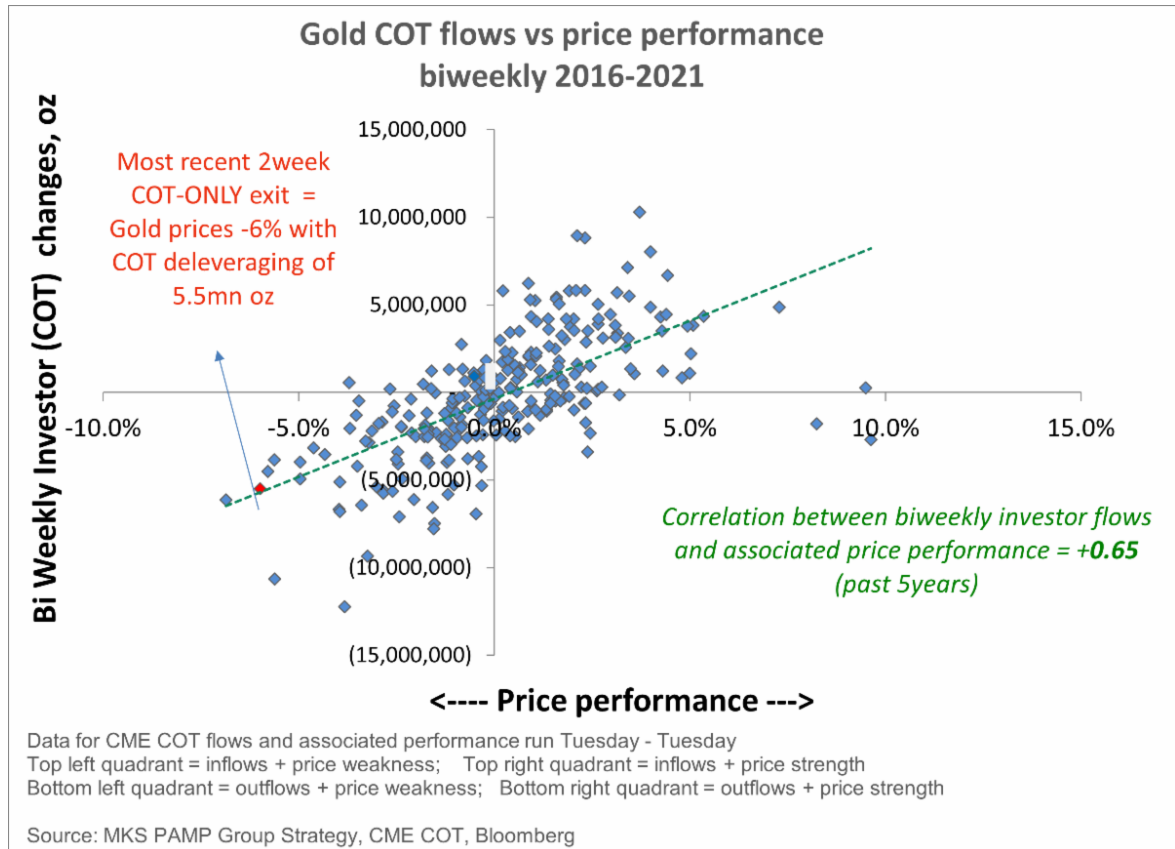
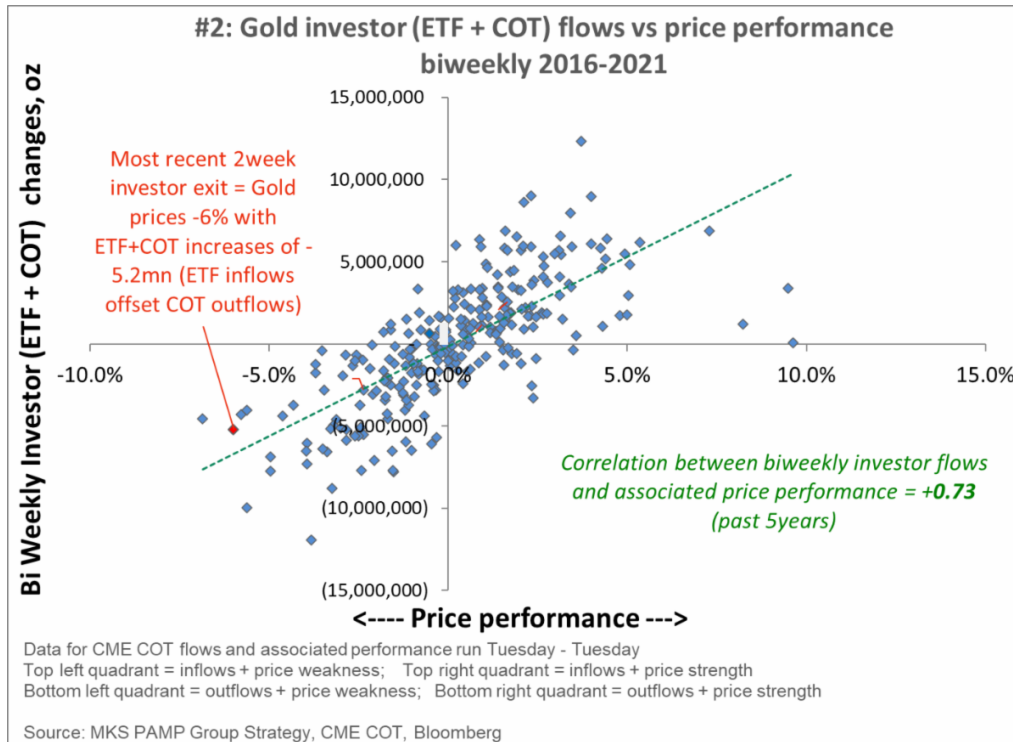


Precious COT / Positioning



- The COT data includes the week Gold/Silver capitulated on the Asia Open on Sunday August 8th, so its somewhat relevant to know whos was behind the repricing – fresh shorts in GC/SI/PL were evident in their biggest ‘attack’ seen for a while....
- Gold investor (COT only) exit of 5.5mn oz over the past 2 week COT period was associated with a max drawdown of 6% in prices when it hit \$1690. The correlation between price action and COT flows is a decent +0.65 where this relationship over the past 5 years shows that the model-implied Gold price ‘should have’ only been a drawdown of 2.3%; I.e.: Gold should’ve only fallen to \$1723, given these recent outflows. Gold overshoot, as we know, but by a chunky 4%, confirming the lack of liquidity and physical support. Scatterplot #1.
- Total Gold investor interest (ETF + COT) saw new outflows over the same recent 2 week period (July 27 – August 10th) of 5.2mn oz as some ETF inflows offset COT outflows. The correlation between combined flow (COT + ETF) is stronger at +0.73, indicating ETF flows do matter, and can be a welcomed source of support. The model-implied regression price of Gold given these outflows is -2.4% or Gold should’ve found support at \$1720. Scatterplot #2.
- The weekly Golds outflows of 5.4mn oz was its largest since the COVID washout seen in March 2020. However, back then net liquidating was driven by longs exiting; this time around, fresh shorts ramped up positioning massively, taking gross shorts from 4.3mn oz short to 7.6mn oz, a 77% increase. There are only 1.5 longs per short where the 5yr average has been 5 longs per short. While the market INCLUDING ETFs, is running long, on a purely COT basis, fast money (and consensus) is largely short, hence the recent short-term price strength (dead cat bounce?) on any *insignificant* US data beats. However, as indicated by analysis above, the fair gold price given flows is around \$1720, so that’s the likely new target into Jackson Hole and September FOMC.
- Silver: 68mn oz exited net COT holdings, also driven by mostly fresh shorts (and long liquidation). The weekly change was the 1 of the largest in 18months. There are still 1.3 COT longs per short, vs the 5yr average of 2.5 longs, underweight but not as ‘short’ as the gold market.

- Platinum: remains the shortest of them all. 237K oz exited, driven by fresh shorts which now stand at 1.1mn oz (the highest level since summer 2019). Net length is short 444k oz PT. Palladium: muted irrelevant changes.



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