

The Week Ahead

Precious COT/Positioning:

- **Gold:** negligible weekly changes in COT over the option expiry and up until July 27th (so it excludes the runup to \$1830 where one would imagine US\$-sensitive long added). COT own 9m oz, with 3.1 longs per short - mildly long but no nearly overweight as we head into the weeks event risk (NFP, PMI & ISM data). Interestingly, ETFs have started to accumulated, "bouncing off" 100m oz, with ~420k oz added in 2days. That's mildly constructive for prices since it fits the thinking that delta concerns = delayed Fed tapering = higher equity / risk prices and Gold simply gets dragged up as an equity inflation hedge (via ETF vehicle)
- **Silver:** COT longs are falling and fast while COT shorts are picking up. 26m oz of COT weekly outflows, together with ETF (~920mn oz), total Silver investment is sitting at YTD low of 1.02bn oz. The ramp-up in COT shorts is worrisome, especially given Silver has shown it can crash 70-80c in seconds (eg: last Tuesday) on predatory fresh shorts. COT are short 150mn oz (5yr ave 180mn oz, peak 520mn oz)
- **PGMs:** Platinum shorts are also ramping up, and now net COT length is running short for the first time this year. However while COT length is v underweight, ETFs have more than made up that with 3.9mn oz and holding. Negligible changes in palladium COT or ETF holdings.

Week Ahead Aug. 2-6

Focus this week:

- **US NFP/payrolls** report for July. Another v strong no is expected, and with the issue of labor shortages still prevalent it'll offer insight into whether businesses had more success filling positions in July. Macro risk (and thus Gold) will prefer a goldilocks no. (a robust no to support the inflation trade, but not strong enough to bring forward taper / rate hike expectations). The Fed has reinforced the consensus thinking that the taper timeline is 1st an informal notice at the September FOMC meeting (or Jackson Hole) which then lays the foundation for a formal taper announcement at their Dec meeting. Thus, the jobs no - unless it an outlier - should be relatively less market moving than inflation stats which is the dominant driver of the Fed's reaction function.
- **BOE rate decision (and a few others including Brazil, India, Australia).**
- **PMIs from key regions** for manufacturing and services in July will provide insight into the health of the recovery from the Covid-19 slump. The the narrative around services picking up / catching up as the recovery rotates from goods-to-services led, is being walked back; people still haven't fully returned to the office and theres lingering virus fears; watch for PMI services to miss estimates which is causing analysts to pull down growth forecasts in 2H somewhat.
- **Q2 earnings continue with full force, with many insurance companies in focus.**
- **Delta spread in US.** Focus should be on deaths & hospitalizations but the media is playing up cases, upcoming potential super spreader events as markets learn of the CDC report citing that the delta variant is as contagious as chickenpox & may be spread by vaccinated people as easily as unvaccinated – i.e.: the US could be walking back guidelines / rhetoric on mask wearing etc. However, the irony of the spreading delta variant in US and globally is that its net positive for macro risk since it delays the Fed's impulse to taper, given 1) lockdowns are unlikely, 2) it merely slows US growth profile (from red hot levels) and 3) pulls down inflation expectations.

Monday, Aug. 2

- The US ban on investing in 59 Chinese firms with ties to China's military or surveillance industries takes effect; investors have one year to fully divest.
- The Center for Strategic and International Studies (CSIS) holds a fireside chat with Anthony Fauci, following the news/CDC report on Friday
- Most Canadian provinces observe the Civic/Provincial Day holiday. The TSE will be closed.
- Economic Date: Manufacturing PMIs (Eurozone, Germany, India, UK). China Caixin manufacturing PMI (missed expectations and was driven by weakness in domestic demand,

which was more pronounced than in the official PMI.) U.S. construction spending, ISM Manufacturing

Tuesday, Aug. 3

- RBA policy decision
- Economic data: U.S. factory orders, durable goods. US, Census Bureau publishes monthly motor vehicle sales figures. PPI: Eurozone. Canada, Markit manufacturing PMI data

Wednesday, Aug. 4

- Rate decision Brazil: inflation jumped more than expectations in July, fueling bets that they will deliver a 100 basis-point hike...
- Economic Data: Rate decisions: Brazil, Thailand. Retail sales: Eurozone. US, ADP employment.
- Services PMI data for China, Eurozone, France, Germany, India, Japan, UK, US: Note: the narrative around services picking up / catching up as the recovery rotates from goods-to-services led, is being walked back; people still haven't fully returned to the office and there's lingering virus fears, ensuring service sector to miss estimates and causing analysts to pull down US growth forecasts in 2H somewhat).

Thursday, Aug. 5

- BOE rate decision, monetary policy report: despite hot inflation reading, BOE expected to keep interest rates on hold and bond-buying pace unchanged. Not a live event, but the risk is now for a hawkish surprise from these G10 CBs following the hawkish Fed tilt in June.
- The Group of 20 digital economy ministers meet in Trieste, Italy.
- Economic Data: France industrial production. Germany factory orders. U.S. initial jobless claims & balance. Eurozone ECB publishes Economic Bulletin

Friday, Aug. 6

- U.S. payrolls/NFP report for July. Another v strong no is expected, with issue of labor shortages still prevalent, it'll offer insight into whether businesses had more success filling positions in July. Macro risk (and thus Gold) will like a goldilocks no (a strong no to support the inflation trade, but not strong enough to bring forward taper / rate hike expectations).
- RBI monetary policy decision
- Reserve Bank of Australia Governor Philip Lowe gives testimony to a Parliament committee.
- Economic Data: China BoP current account balance. Industrial production: Germany

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