

## The Week Ahead

Heatmap of relative investor "crowdedness"			
		COT Net Speculative Positioning as a % of Aggregate Open Interest** (as of June 27th)	COT Net Speculative Positioning as a % of Aggregate Open Interest** (as of July 20 2021)
more short (ie: bullish sentiment indicator) →→→	JPY	-37.5	-36.5
	AUD	-7.3	-27.0
	CHF/USD	21.6	-8.8
	US 30yr yield ("USA")	-8.0	-7.4
	NG	-5.6	-6.3
	US 10yr yield ("TYA")	-5.0	-4.0
	GBP	29.0	-2.0
	CAD/USD	0.4	0.1
	SPX	5.6	2.4
	RBOB	16.3	10.2
more long (bearish sentiment indicator) ←←←	Brent	11.9	10.7
	EUR	25.9	12.1
	Nickel, LME	13.3	13.4
	Copper, HG	11.6	13.6
	Copper, LME	11.8	14.3
	Corn	21.6	17.4
	Silver	24.7	17.5
	Palladium	33.7	17.6
	Tin, LME	19.2	20.0
	WTI	24.2	22.0
	Alu, LME	21.6	24.0
	Lead, LME	24.3	25.8
	Zinc	28.9	30.1
	Platinum	45.6	35.9
	Gold	49.6	44.2
DXY	4.4	44.7	

Source: MKS PAMP Group, CME, LME & ICE COT reports

### Investor Positioning ahead of the FOMC:

The Fed meets on Tuesday & Wednesday with the pace of their bond-buying program in focus. Powell will hold a press conference; he is facing a growing rift among officials over when to start tapering (an aggressive start of tapering could occur in the fall, vs a more cautious approach and the 'outcome' Gold & FI markets are largely pricing in, is in early 2022). The dovish camp will try argue that downside risks (from the delta variant, low vaccination rates in Republican states and fact that 7m people are still out of work vs Feb 2020) still outweigh core arguments by the the hawks (stickier inflation, MBS purchases leading to a housing boom, runaway inflation prompting a more aggressive - and thus more market disruptive - tightening policy stance later on). Its important event risk, but we expect more insight on tapering / hiking timeline at Jackson Hole in August.

### Recent investor positioning changes

- **Gold investors** have cautiously reentered the market in the leadup into the FOMC (month of July). COT investors have added ~3m oz, at an average price of \$1799, implying they are largely ATM as we head into some event risk --> option expiry (tomorrow), FOMC (Wednesday), first notice (Friday), & a mix of US data (Q2 GDP, durable goods, jobless claims)
- **Gold ETFs** have only slowly leaked, and haven't impacted prices; they still hold 100mn oz (peak 111mn oz, average 80mn oz) and so far haven't proven to be sensitive to taper concerns, thus aren't a large deleveraging threat.
- By contrast, **Silver COT** investors have exited during July, selling over 17mn oz, and helping explain the recent underperformance vs Gold. There seem to be more concern within Silver to any taper concerns, so with both ETF + COT holding a chunky 1.05bn oz of Silver, and prices teetering above \$25, any major risk-off surprise by the Fed will likely asymmetrically further impact Silver.
- What **Platinum investors (COT)** are losing (~10K oz during July), ETFs are more than making up for, with their sizeable 17K oz increase. Platinum is not running as relatively long as Gold (and Silver) with only 1.1 longs per short (vs average of 2.4 longs/short), and underweight futures positioning allows it to respond to any dovish Fed surprise.

- Looking at the heatmap below, **the rotation in macro assets over the past month is most notable in FX** - investors have climbed into US\$ exposure (while keeping their precious positioning!) by shorting AUD, JPY & GBP. That dislocation - both super long USD and precious/commodities exposure - can't coexist last for long, especially if prices don't perform.
- **Palladium holdings** are low, unconvinced and a non driver of price; COT own 550k oz

### Week Ahead July 26-30

**Focus on: the Fed presser & FOMC; GDP Q2 readings (US, Eurozone, Canada), CPI & PPI readings from Eurozone. Ongoing delta variant risk. Big Tech earnings.**

#### Monday, July 26

- U.S. Deputy Secretary of State Wendy Sherman is in Tianjin, China to meet with Chinese State Councilor and Foreign Minister Wang Yi.
- EU finance ministers meet informally by video conference to discuss the implementation of the Recovery and Resilience Facility before assessing the European Commission's new AML package.
- Economic Data: U.S. new home sales

#### Tuesday, July 27

- A special investigative panel of Congress holds its first public hearing of the Jan. 6 attack on the U.S. Capitol by supporters of former President Trump.
- Blinken plans meetings with Prime Minister Modi, and their National Security Advisor and Foreign Minister
- IMF releases its World Economic Outlook Update.
- Economic Data: South Korea GDP, China industrial profits, U.S. durable goods, Conf. Board consumer confidence, FHFA house price index

#### Wednesday, July 28

- The Fed meets with the pace of their bond-buying program in focus, while trying to balance downside risks from the delta variant with upside risks to inflation. Powell will hold a press conference; he is facing a growing rift among officials over when to start tapering (an aggressive start of tapering could occur in the fall, vs a more cautious approach and the 'outcome' the Gold, FI markets are largely pricing in, is in early 2022).
- Economic Data: CPI: Canada, Australia. U.S. wholesale inventories.

#### Thursday, July 29

- First look at U.S. economic growth in the Q2 with the advance estimate of GDP; expected to show the economy grew at a rapid pace, fueled by vaccinations, stimulus and business reopenings.
- Economic Data: U.S. GDP, initial jobless claims. Eurozone economic/consumer confidence. CPI: Germany, Spain. PPI: France, Italy

#### Friday, July 30

- NASA plans to launch Boeing's Starliner on a crewless test flight to the International Space Station.
- Economic Data: Unemployment (Eurozone, Chile, Brazil, Colombia,). GDP (Eurozone - France, Germany. HK, Canada, Mexico). CPI (Eurozone)

*Week Ahead adapted from Bloomberg*

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