



Dollar weakness brings gold back into focus

Money managers stocked up on gold last week as dollar weakness, tariff fears and geopolitical risk combined to increase the attractiveness of the yellow metal. Gold is climbing back towards a record high and this is drawing in renewed speculative interest, although silver is not getting the same boost, with money managers shying away and actually cutting net longs last week.

Investors added 20,247 lots to the net speculative long in gold in the week to January 21, according to COT data from the CFTC. However, money managers trimmed silver positions by 122 lots as steady increases in gross longs were outweighed by a marginally stronger increase in gross shorts. Copper has been buoyed by the weakness of the dollar, although its price has drifted lower over the past few days.

Gold's investor positioning is extremely stretched both on a standalone basis and when compared with commercial hedge positions. Looking at the speculative situation alone, gold seems ripe for a pullback, although the longer term bull story remains intact. Silver is likely to be dragged lower to some degree, although its positioning is not as compelling as gold for a price slide.

Investors boost gold positions as prices surge higher

Net Length	Jan-21	Jan-14	Change	
Copper	19,314	14,565	4,749	32.6%
Gold	215,869	195,622	20,247	10.4%
Silver	29,221	29,343	-122	-0.4%
Platinum	1,841	7,180	-5,339	-74.4%
Palladium	-10,889	-11,758	869	-7.4%

Source: Bloomberg, CFTC

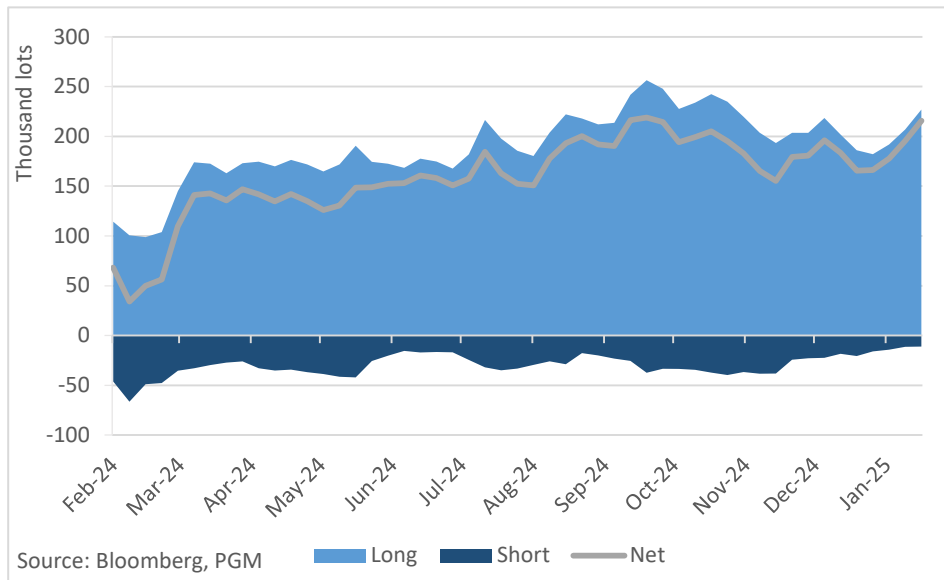
Prices	Jan-21	Jan-14	Change	
Copper (c/lb)	430.10	434	-4.1	-1.0%
Gold (\$/oz)	2,770.90	2,682	89	3.3%
Silver (\$/oz)	31.42	30.4	1.1	3.5%
Platinum (\$/oz)	958.20	936	22.0	2.3%
Palladium (\$/oz)	1,004.80	947	58	6.1%

Source: Bloomberg

Gold

Gold prices have edged closer to a new record high as money managers piled back into precious metals this year. Almost all of the 20,247 lot gain in net speculative positions last week came from new gross longs as shorts remain notable by their absence and they are in fact below their seasonal five year range and just short of their absolute lowest level of the past half a decade. Net speculative positions are close to their high from October and not that far off their five year high, while the spread between speculators and hedgers is also looking very stretched. Looking at positioning alone, gold looks primed for a pullback, although the longer term bull thesis remains unchallenged.

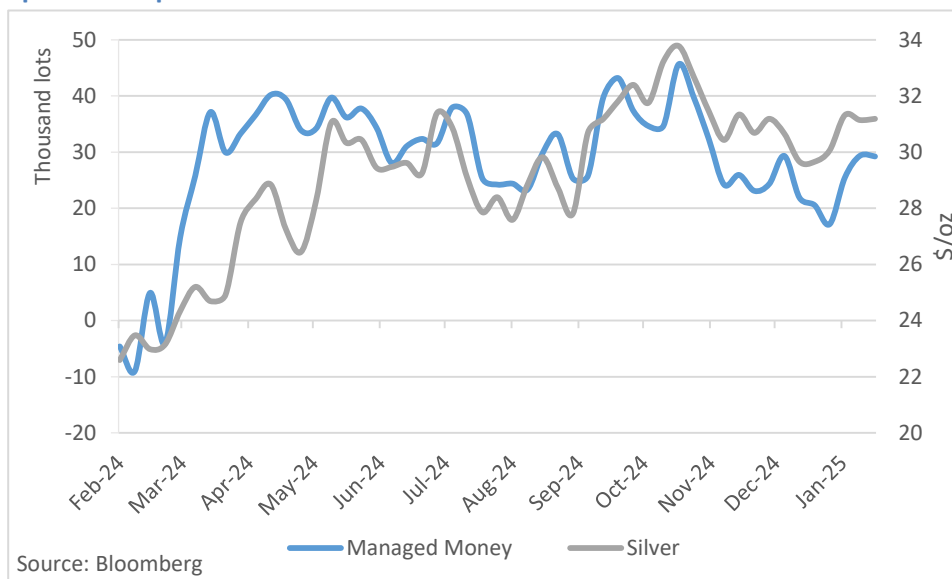
Gold net spec positioning moves back near highs as shorts all but vanish



Silver

Speculative positioning in silver was barely changed last week, edging down by 122 lots, although the modest change in overall positioning masked an increase in both gross longs and shorts. Silver has been left behind by the latest rally in gold, with investors taking a more cautious approach and that has put net speculative positions bang in the middle of their five year range. Net speculative positions are somewhat elevated, although not stretched, and any pullback in silver prices is most likely to be inspired by changes in the gold price.

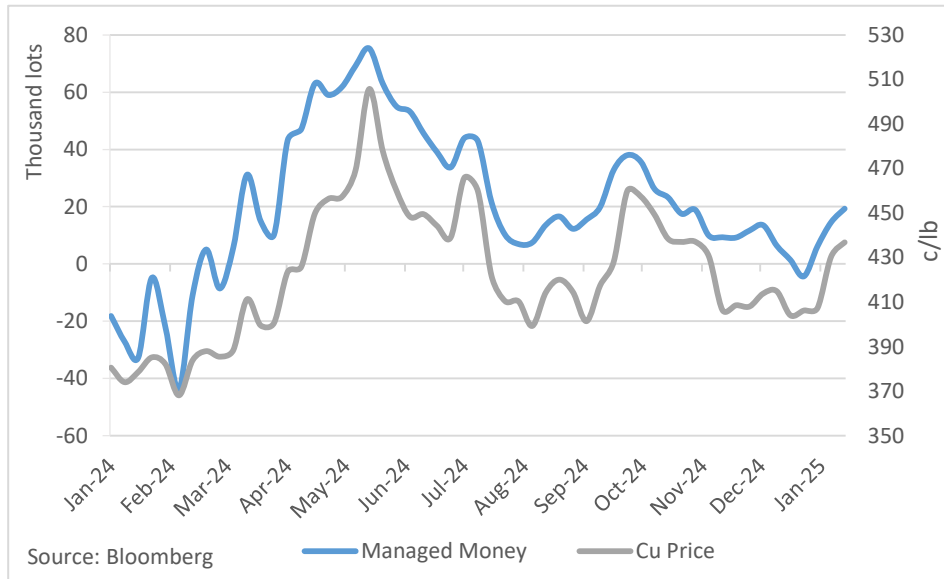
Speculative positions in silver are elevated but not stretched



Copper

Money managers have been boosting copper positions as lower dollar prices raised the attractiveness of the red metal. While net speculative positions have edged higher over the past few weeks, they are far from stretched and offer little in the way of guidance over the future direction of copper. Nonetheless, fundamentals do suggest that prices should ebb lower over the coming weeks amid Chinese New Year inspired demand weakness.

Copper speculative positioning edges higher



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