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Gold rally loses steam as shorts become emboldened

Money managers cut gold positions last week, despite a slight uptick in precious metal prices, and amid dollar weakness, which should have made on commodities more attractive. After such an impressive run over the past few months, investors were bound to take profits at some point and as gold failed to breach the $3,000/Oz level, investors trimmed bullish trades.

Investors cut net speculative positions in gold by 13,154 lots in the week to March 4, which marks the fifth consecutive week of reductions, according to COT data from the CFTC. However, money managers increased bullish trades in silver as its price crept higher, while in the industrial metals, copper endured a reduction in speculative positioning as the COMEX market was whipsawed by tariff fears.

With the rally in gold seemingly having lost steam, despite a supportive dollar, it seems a slight softening in geopolitical tensions have undermined the near term bull thesis. Positioning remains stretched, despite some shorts returning to the market, and with geopolitical tensions continuing to bubble away in the background, any factor that reignites fears could lead to shorts running for cover.

Investors trim gold positions as precious rally runs out of steam

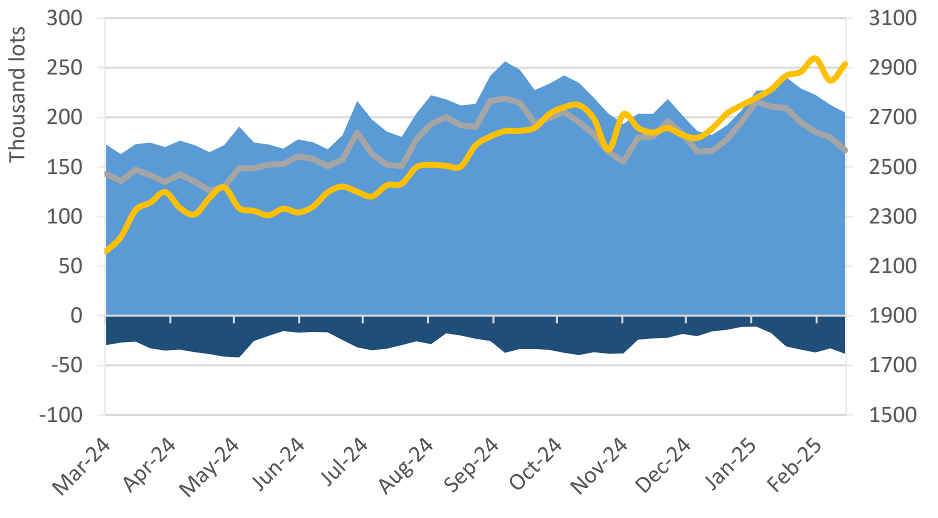
Net Length	Mar-04	Feb-25	Change	
Copper	8,902	18,657	-9,755	-52.3%
Gold	166,658	179,812	-13,154	-7.3%
Silver	34,098	32,939	1,159	3.5%
Platinum	2,960	8,468	-5,508	-65.0%
Palladium	-11,450	-10,160	-1,290	12.7%
Source: Bloomberg, CFTC				

Prices	Mar-04	Feb-25	Change	
Copper (c/lb)	452.75	448	4.6	1.0%
Gold ($/oz)	2,920.60	2,905	16	0.6%
Silver ($/oz)	32.11	31.8	0.3	0.9%
Platinum ($/oz)	971.90	969	2.5	0.3%
Palladium ($/oz)	946.30	923	23	2.5%
Source: Bloomberg				

Gold

Gold prices have looked poised to breach $3,000/Oz for some time now and dollar weakness should have propelled the yellow metal over the line, yet investors seem be losing patience. Net speculative positions have been cut for five consecutive weeks as longs trim holdings and shorts, who were almost completely absent from the market, have become emboldened to increase their positions. Although net length has come in, overall positioning remains stretched, yet there is plenty going on geopolitically to act as a trigger for renewed strength in the gold price.

Gold net spec positioning edges lower as shorts reappear

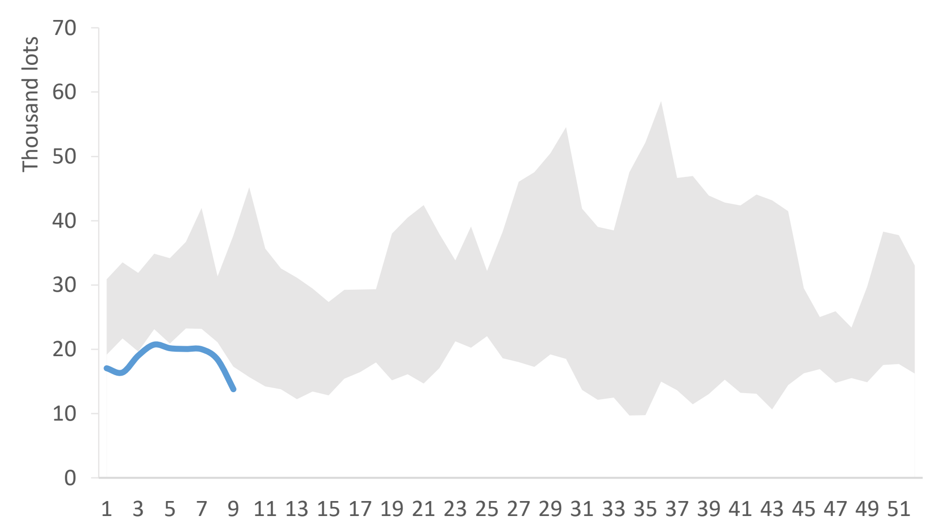


Source: Bloomberg, PGM

Silver

Speculative positioning in silver edged higher last week, albeit by only 1,159 lots, bucking the trend of cuts to length in other metals. The reduction came as both longs and shorts reduced bets on silver, but with shorts changing their positions more aggressively. Silver's net speculative length is best described as elevated but not quite stretched, although notably, silver shorts are below their five year seasonal range. An increase back to norms would drag silver prices lower, and any recovery in dollar strength could be the catalyst for this.

A recovery to seasonal norms from shorts would drive silver lower

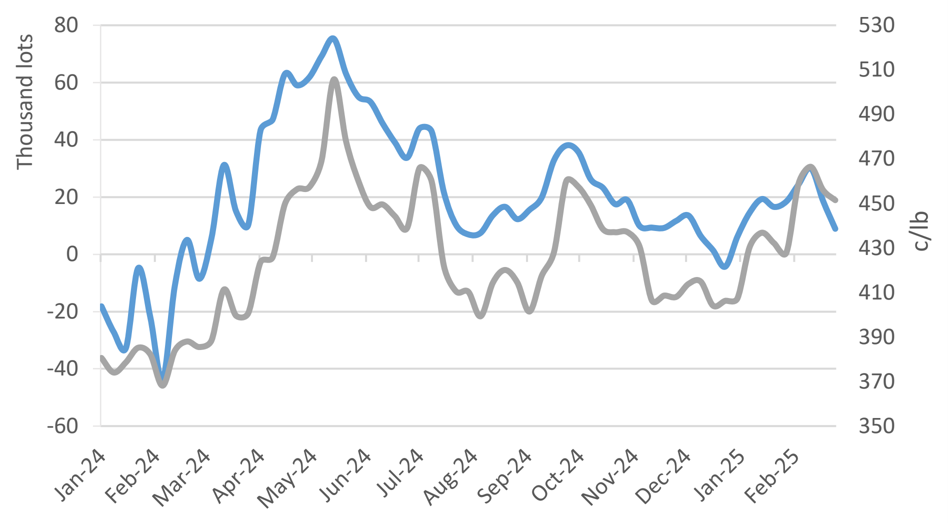


Source: Bloomberg

Copper

Money managers have cut net copper positions over the past week amid continued swings in the spread between COMEX and LME prices. A higher overall copper price had been justified buy a slight upturn in global manufacturing activity in January and February, although bets on the introduction of tariffs on copper have resulted in CME positioning becoming detached from the global copper market's fundamentals. Positioning is now at a broadly neutral level and offers little guidance on the future direction of prices.

Copper speculative positioning moves into neutral



Source: Bloomberg

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