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Investors take profits after stellar gold run

Money managers trimmed gold positions last week, despite a new record high for the yellow metal amid continued economic uncertainty. Gold hit a new record high on April 22nd, with the June contract breaching the $3,500/t level for the first time, although the market quickly reversed as investors took profits.

Investors cut the net long in gold by 3,952 lots in the week to April 22nd, according to COT data from the CFTC, which was the same day that gold hit its record high. However, gold was the exception, as money managers boosted positions in silver and copper, as weakness in the greenback increased the attractiveness of dollar denominated assets.

The surge higher in gold has led to investors taking profits and commercial players reducing their hedges, when record prices should suggest the opposite moves. Unchartered price territory has caused the usual relationships to break down, with the result that current positioning offers very little guidance on the future direction of prices. Nonetheless, the broader bull thesis for gold remains intact, absent a major calming in economic and geopolitical tensions.

Investors trim gold positions despite price rise

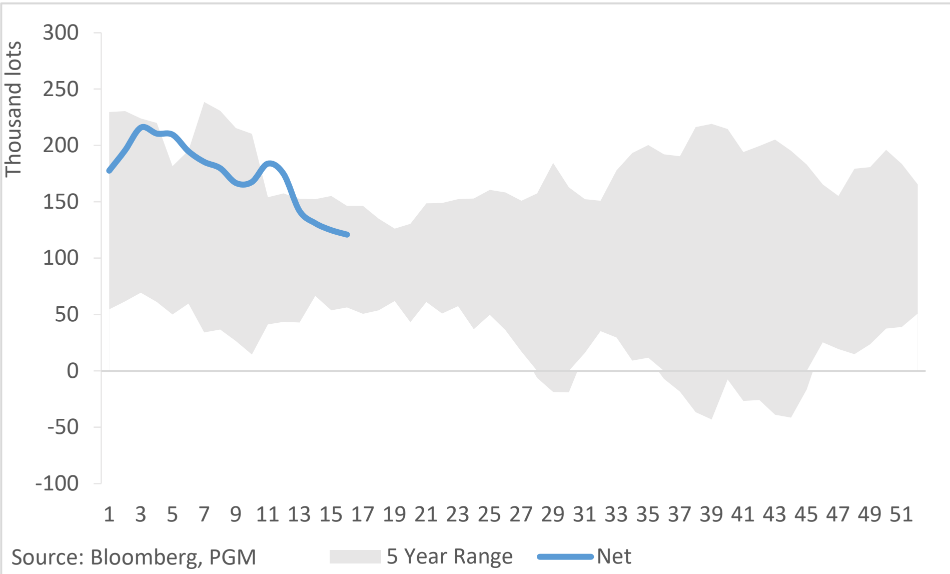
Net Length	Apr-22	Apr-15	Change	
Copper	16,155	13,370	2,785	20.8%
Gold	120,902	124,854	-3,952	-3.2%
Silver	25,891	23,552	2,339	9.9%
Platinum	-9,581	-10,417	836	-8.0%
Palladium	-13,558	-13,098	-460	3.5%
Source: Bloomberg, CFTC				

Prices	Apr-22	Apr-15	Change	
Copper (c/lb)	484.35	463	21.8	4.7%
Gold ($/oz)	3,276.30	3,219	58	1.8%
Silver ($/oz)	33.55	32.3	1.3	3.9%
Platinum ($/oz)	970.70	960	10.5	1.1%
Palladium ($/oz)	943.30	979	-36	-3.6%
Source: Bloomberg				

Gold

Gold prices hit a new record high last Tuesday as geopolitical and economic uncertainty have maintained the attractiveness of the store of value. One would have expected this to have been paired with a jump in net speculative positions, yet the opposite happened, with investors actually cutting their gold holdings. Gold's gross long and net long are now at their lowest level of the year, with both now within their seasonally adjusted five year range, suggesting that investors have been taking profits as prices moved ever higher. Meanwhile, higher prices normally coincide with an increase in the net short of commercial hedgers but here too, the movements in positioning have been against expectations, with hedgers reducing positions. This could suggest that they are so confident of higher prices that they are hedging less of their production. The combination of these factors means that positioning is offering very little in the way of guidance for the future direction of prices.

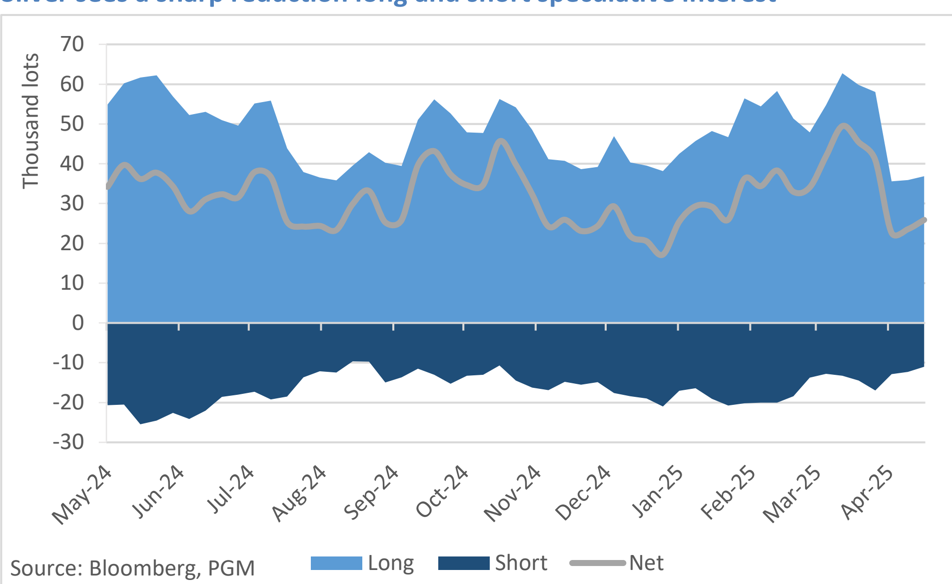
Gold net spec positioning is at lowest level this year



Silver

Speculative positioning in silver climbed last week, expanding by 2,339 lots and bringing the overall position firmly into the middle of its seasonally adjusted five year range. However, both longs and shorts are at relatively low levels, with bulls close to the bottom of the range and bears actually at the lowest level this year and close to the lowest absolute level in the past five years. Silver has been dragged along in the wake of gold and further supported by the weakness of the dollar but it appears that investors are taking a very cautious approach amid considerable headline risk.

Silver sees a sharp reduction long and short speculative interest



Copper

Money managers increased copper positions last week as the red metal bounced back from tariff induced recession fears. However, this puts the net speculative position firmly in the middle of its five year range, albeit with only modest interest from gross longs. Short positions are below their seasonally adjusted range as investors are fearful of shorting COMEX prices amid concern that tariffs will be introduced and thus justifying the substantial positive carry between the LME and COMEX copper prices. The major downside risk for COMEX copper would be a slide in copper demand or an announcement that no tariffs would be levied on the red metal.

Copper's gross shorts are at their low for the year