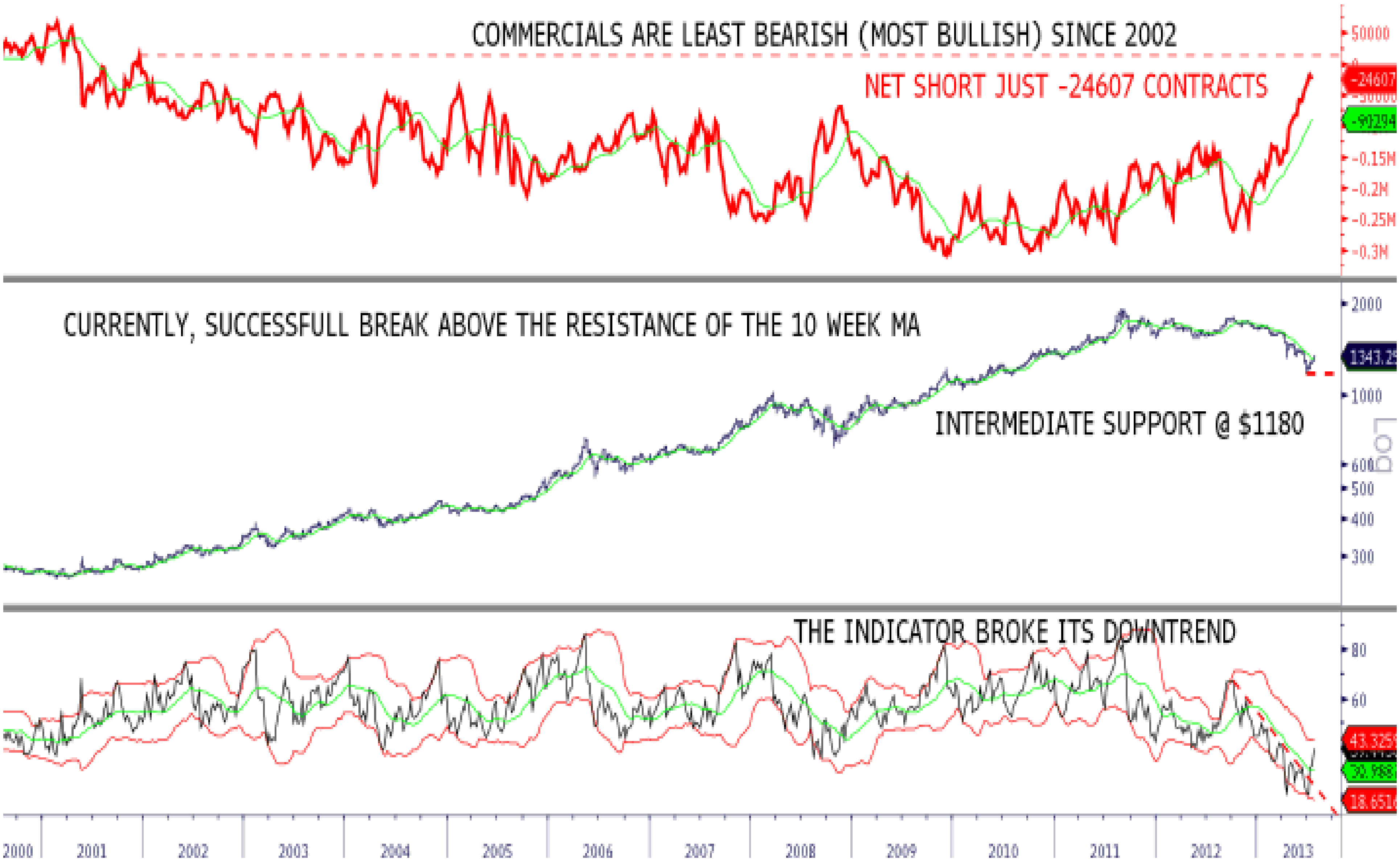
GOLD


COMMERCIALS ARE LEAST BEARISH (MOST BULLISH) SINCE 2002
NET SHORT JUST -24607 CONTRACTS
50000
-24607
-90294
-0.15M
-0.2M
-0.25M
-0.3M
CURRENTLY, SUCCESSFULL BREAK ABOVE THE RESISTANCE OF THE 10 WEEK MA
INTERMEDIATE SUPPORT @ $1180
2000
1343.25
1000
600
500
400
300
Log
THE INDICATOR BROKE ITS DOWNTREND
80
60
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013

The above chart is on a weekly basis for the period from 2000 up-to-date, and displays the net positions of commercial hedgers (data from CME), gold (bullion), and a proprietary constructed indicator based on the historical prices of gold.

Commercial hedgers are least bearish since 2002 when a major bull market in gold started. Net short positions are just -24607 contracts. The increase is quite sharp, above its average, and similar behavior in the past has coincided with a significant bottom in gold prices.

After breaking below $1200 on a daily basis gold registered a powerful daily reversal at the end of June, and thus engulfing the prior week's negative action. Our expectations for a rebound to its 50-day (10-week) MA from extreme oversold levels were met. Currently price is testing support at its average, and if successful, the level at $1330 would be a new pivot bottom for the metal. Intermediate support (risk-exit level) is defined at $1180 – the intraday low from 28th June, 2013.

Our proprietary indicator registered a double-bottom as of end of June, diverging from the price action, currently rose above its moving-average, and broke its downtrend from the end of 2012 thus confirming the intermediate strength in gold.

Seasonality also supports further strength in gold (favorable months from July till September). However, evidence for a new strong uptrend is still missing, or at least it is too early to be seen. Our expectations are for a continuation of the uptrend in the medium term with stop level at $1180. For short-term plays stop should be placed at $1268.

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