



Market Headline: Gold faces a firm Dollar and higher Yields stoically

A Morning Market Commentary

Summary

- Gold needs a strong catalyst to push past \$1800 as bullish odds favor the Dollar and Treasury yields.
- Members made hawkish comments, Fed minutes showed.

Precious metals prices on Wednesday recovered from early losses and closed slightly higher ahead of the holidays in the U.S. A decline in T-note yields on Wednesday sparked short-covering in precious metals. Gold prices on Wednesday initially fell to a 2-1/2 week low after the dollar index climbed to a fresh 16-month high and the 10-year T-note yield rose to a 1-month high of 1.691%. However, T-note yields retreated from that 1-month high and turned lower, which sparked short-covering in gold.

Spot Gold was up moderately quoted a \$1 higher at 0800 SGT Thursday morning in Asia. The Comex GC contract for December Delivery closed up +\$0.50 at \$1784.3 an ounce overnight while the Silver SI December contract closed +\$0.061 at \$23.496 an ounce.

The strength in the U.S. dollar and bets that the Federal Reserve could raise interest rates sooner than anticipated kept the safe-haven metal below the key \$1,800 mark. Stronger-than-expected U.S. economic data on Wednesday pushed the dollar higher. Gains in the dollar accelerated Wednesday on hawkish comments from San Francisco Fed President Daly, who said she sees a case for the Fed to speed up the tapering of its asset purchases.

Federal Reserve officials in discussions earlier this month said the central bank “would not hesitate” to take appropriate actions to address inflation pressures that posed risks to the economy. In minutes released Wednesday of the Fed's Nov. 2-3 meeting, Fed officials maintained that the spike in inflation seen this year was still likely to be transitory while acknowledging that the rise in prices had been greater than expected.

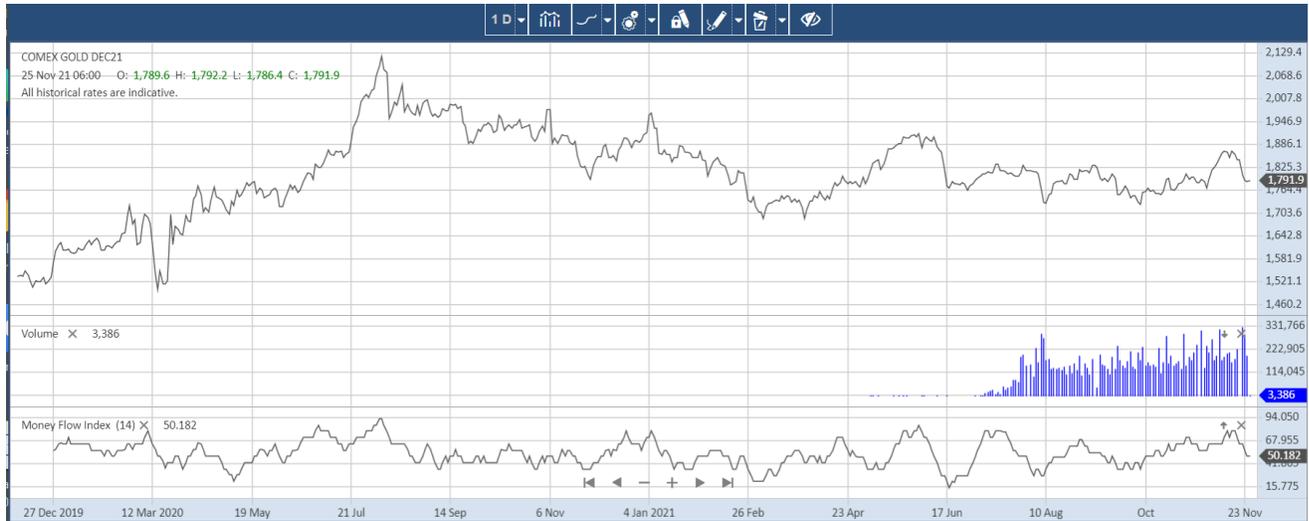
From a technical perspective, given U.S. President had gone for continuity in these troubled times and chosen Powell, a republican over a dovish democrat and the ECB has tilted hawkish as ascertained from the bankers' comments, Gold prices have taken on a bearish tilt also and gold bulls need to push prices above \$1823 here resides the 200-day EMA and then to rechallenge the resistance at \$1840.

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The next FOMC meeting is the middle of December and selling pressure on an overtly hawkish central bank's policy decision or on bullish economic data could lead to a bout of long liquidation and press gold prices towards \$1680 to breach the major "double bottom" pattern formed in March. This would be considered an overly bearish indication and a resumption of a major bear trend. A break of that key support level would lead to further massive long liquidation by bulls and also more fresh selling and may bring the gold market to test the next major support at \$1550 an ounce.

Daily Comex GC December22 Futures



(Courtesy of Phillip Nova)

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