Part 1: Quick Note: the Fed and Gold (page 1)

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There is ample coverage on the Feds decision today, but here are the takeaways for Gold:

1. This wasn't just any ol Fed day - the recent move in rate cut expectations & global yields due to softer data and trade policy, the ECBs stronger than expected dovish message yesterday, Trumps "influence" but also because **Gold was perched just below the key $1350 inflection point, made the event increasingly more binary / sensitive.**
2. It was well advertised that the dovish bar was set pretty high for the Fed to meet these rate cute expectations. There was only a 1 in 4 chance of a cut, but it was all about the messaging. The markets reaction (lower yields with 10yrs threatening 2%, new highs Gold above $1360) argues that even if the Fed arguably didn't meet rate cut expectations*, this was a **good enough greenlight for current rate cut bets to essentially "leverage up" and begin to extend positioning into the July meet** (i.e.: long bonds, long stocks, mildly long Gold/ Precious).
3. There was a focus around "cross currents" which has impacted data, investment and is weighing on their outlook, but ultimately the takeaway is the Fed remains set on using "tools" to **"sustain the expansion"** and will "closely monitor data & info." Please see our FI Strategist notes here. The issue is that if these cross-currents fade (e.g.: an unlikely G-20 trade agreement), a Fed cut is unlikely. Bad news is, again, good news (stimulative policies)
4. A word cloud of only Bloomberg headlines showcasing Powell's statement and presser *(i.e.: arguably these headlines are the key inputs for many systematic programs)* highlights **that "cut" was the 2nd most ranked word behind " inflation".**
5. We've argued that Gold needs a large and *new* catalyst to sustainably reprice above $1350 given the importance of the ceiling and the endless selling its attracted - a rate cut today would've accomplished that. So while **Id argue that they didn't meet (lofty) dovish expectations, the markets are not trading that way, with greenshoots (see #6) hinting that this was the signal gold was looking for – the confirmation by the Fed of a rate regime shift** (from net hikes in 2016-2018, to a sustainable pause in 1H'19, to net cuts from 2H'19 onwards). Graph 2.
6. The FOMC occurred after the Gold futures close; Gold has not been able to close >$1350 at each attempt the past 10days, and even with a negative US$ catalyst – the large NFP miss on Friday – Gold prices reversed horribly letting many down. HOWEVER, **the GLD (ETF) close shows prices managed a settlement above key trend line resistance with afternoon trading ensuring gains were held. This is 1 data point and a few hours of trading, but price action – in Gold – should be monitored/respected.**

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Page 3: Graphs:

- Gold Technicals—attempting to break out of its 4 year lull
- Gold priced in G-10 currencies
- Short-term Fed rate expectations vs Gold
- Word Cloud of Powells press conference

**Powell simply did not "do whatever it takes" -- they didn't mention "material downside risks to the outlook", they didn't cut, there was a dissent and there was no consensus on future cuts. Removing "patient" was the base case & expected.*

Part 2: Some Precious takeaways from the Gold repricing toward ~$1400:

- This was a gold specific move, with Gold (atypically) outperforming its high beta sisters like platinum & Silver (Gold is at 5year highs while the other two haven't even reach YTD highs). The GC/SI ratio spiked to 91 and the Platinum-Gold spread fell to new low of -$580. Given the confirmed stimulus push, $ weakness and a rebound in base metals, one would've believed Silver could retest the $16 handle. However, **fresh geopolitical risks (Iran shot down a US drone) has ensured Gold outperforms for now, but time will tell whether the required investment subscription overflows into Silver. For now the tailwinds will stem from overly short COT positioning that have the firepower to take it near $16, but not beyond.**

- The ~$40 Gold breakout during Asia hours was welcomed given the recent macro backdrop of plenty of false breaks. However, there's a sense that many investors were not directionally positioned for this move (COT owns 13m oz, slightly above 10yr average). On the contrary there's an extraordinary amount of $1400 strike (vol) owners. Overall, **there is a growing "FOMO risk", where Gold could attract more buyers at $1400, than $1300, reaffirming the belief of some well-known investors that if $1400 breaks, $1700 *(somewhat of a stretch)* will happen "very quickly."**

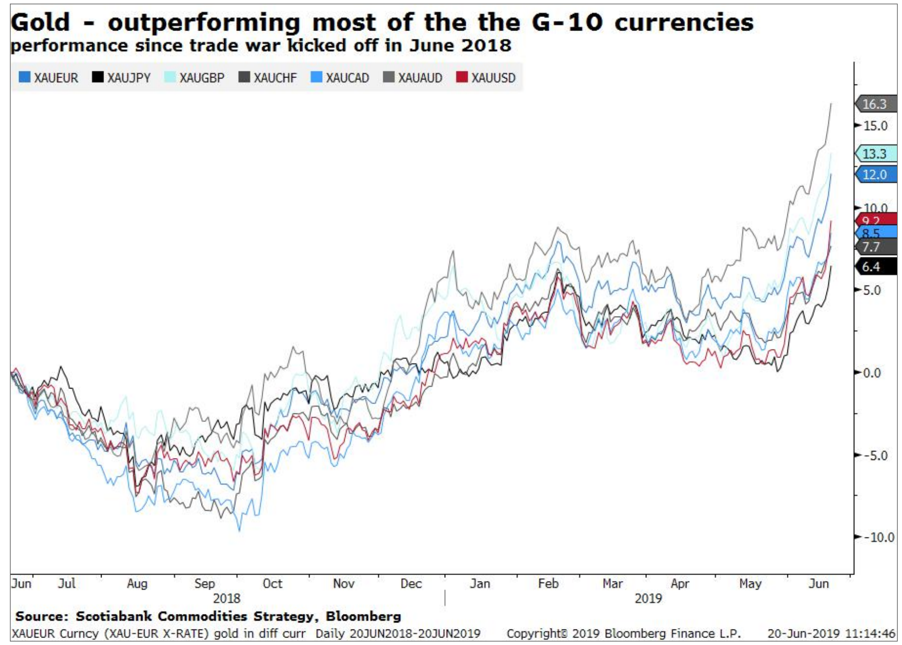
- Since the trade war kicked off in June 2018, gold has (quietly) outperformed most G-10 currencies, with this last steep move indicating the (required) monetary policy response and subsequent open threat of currency wars.

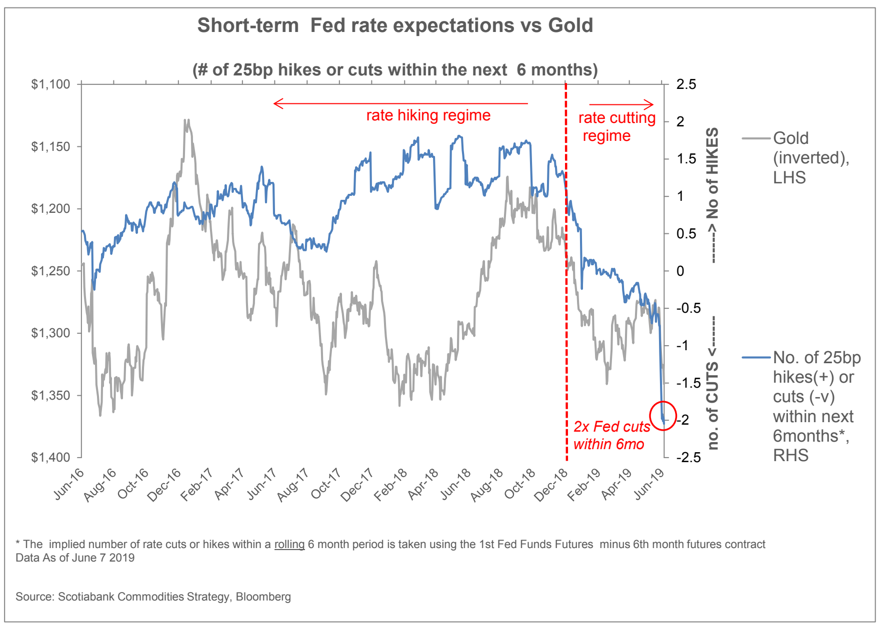
- **Price action in the very short-term will be critical in Gold holding gains in the face of key (producer –related) Gold crosses hitting cyclical or all-time-highs, and thus likely to attract in flows and tactical hedges.**
    - XAU/AUD rallied past AUD2000 (an ALH),
    - XAU/CAD is through $1800 (cyclical highs, only $100 away from ALH),
    - XAU/ZAR is at R20,000 (only 1K away from ALH).
- **Overall, respect the all-important (and convincing) breakout — $1350 is the new floor, TBD on upside.**

- **Platinum remains a sore underperformer of the complex, befuddling many as its not only is lagging Gold, but is diverging from prices.** An uptick in recycled volumes, producer WIP inventory (that's been restarted in 1H'19) making its way through the system and perhaps some bullish Plat-Gold spread players (who've been wrong-footed), have contributed to its outlier weakness. Unless growth in Europe improves significantly, and/or short positioning gets spooked, it remains the metal with the best risk-reward outlook but little catalyst.

- After consolidating in $1300-$1450 range, **Palladium** broke up and out through $1500, on persistent inflows (Open Interest increased 340K oz) and a large repricing in Rhodium. Being a standalone metal—it hardly takes its cues from Gold / precious complex—but one that's inherently bullish (it will find any reason to rally), it should be caught up if theres a sustained Gold / precious breakout.

- Overall, Commodities (BCOM) put in their largest gain in a month led mostly by WTI (+6%, on Fed easing expectations & renewed Iran risks), then Precious +4%. This move is not fundamentally driven, but driven by top-down policy risks (OPEC), geopolitical risk (Iran/ME tensions), trade risk (G-20/ US-China trade deal), thats was given the final shot in the arm by $ weakness. **Usually a $ breakout *precedes* a range repricing in Gold (other assets); this time around tthere's been a standalone Gold breakout.**





Word Cloud of Bloomberg headlines (only) of Powells comments in his press statement and during Q&A