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SHORT TERM POSITIVE TREND IS LIKELY TO CONTINUE IN GOLD

- Gold futures on the CME are now trading near \$1864, down slightly from the previous day's high of \$1871.40, but still much above the recent low of \$1677.90 set on August 9, 2021. Gold prices are rising due to increasing inflation expectations.
- Gold has been supported by marginal weakness in the dollar index and the US bond yield. The dollar index is under pressure as the Chinese yuan strengthens. After Chinese President Xi Jinping declared China would resolutely deepen opening up and share economic chances with the world and other Asia-Pacific nations on Friday, the yuan soared to a 2-1/2 week high versus the dollar, putting pressure on the dollar.
- On economic data front on Monday, Reuters reported that Japan's economy contracted at an annualized rate of 3.0% in July-September from the previous quarter. The gross domestic product (GDP) figure translated into a quarterly drop of 0.8%, worse than estimate of a 0.2% contraction. Private consumption also fell 1.1%, versus a 0.5% decline expected by economists, the data showed.
- Economic data from China surprised on the high side, putting downward pressure on gold prices. Retail sales and industrial output both grew faster than expected, with the increase in consumption being a good considering the pandemic limitations. According to figures issued Monday by the National Bureau of Statistics, China's retail sales increased more than predicted in October, despite sluggish fixed asset investment. Retail sales increased by 4.9 percent in October compared to the same month a year ago, topping a Reuters poll's prediction of 3.5 percent growth and above the 4.4 percent increase in September. Industrial production also exceeded estimates in October, rising 3.5 percent year over year. According to Reuters, growth would be 3%. However, home prices in China fell 0.2% month-on-month in October, the biggest decline since February 2015.
- Friday's U.S. economic data was mixed for the gold. The University of Michigan U.S. Nov consumer sentiment unexpectedly fell -4.9 to a 10-year low of 66.8, weaker than expectations of an increase to 72.5. The Sep JOLTS job openings fell -191,000 to 10.438 million, showing a stronger labor market than expectations of a decline to 10.300 million.
- Gold prices have risen after Minneapolis Federal Reserve Bank President Neel Kashkari stated on Sunday that he expects higher inflation to continue in the coming months, but that the US central bank should not overreact to it because it is just transitory. Also on Friday, ECB policymakers indicated that inflation in the Eurozone may fall more slowly than previously predicted, owing to persisting supply chain constraints, but that the ECB must not overreact by eliminating support too hastily. However, experts polled by Reuters predicted that the Bank of England will be the first major central bank to raise interest rates, but it is unclear whether this will happen as soon as next month or later in the year.

- Gold prices are also gaining traction, as the global spread of the delta Covid version is expected to stymie global economic growth. On Thursday, Germany reported a total of 50,196 new Covid illnesses, with Bavaria dubbing the pandemic's latest wave a "crisis situation." The pandemic in the United States has also worsened marginally, with the 7-day average of new Covid infections in the United States reaching a 3-week high of 78,398 last Wednesday.

Outlook

- Gold's short-term uptrend is anticipated to continue as long as it remains above critical support levels of the 20-day EMA at \$1820 and the 50-day EMA at \$1800. In the meanwhile, immediate resistance might be seen around \$1888-\$1908.

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