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## THE SHORT-TERM DOWNWARD TREND IN GOLD PRICES IS LIKELY TO CONTINUE

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- ▲ Precious metals prices rose on Monday morning session, owing to rising safe-haven demand as a result of China's Evergrande Group's contagion risk. The gold surge, however, was short-lived, as the dollar index rose and global bond yields rose, pushing prices lower. If Evergrande's and China's nerves continue to relax, gold is likely to face headwinds once more. After the Fed changed its stance on bond buying in the coming months, gold is now trading at \$1740, down considerably from this month's high of \$1836.9. US 10-year T-note yield and 10-year German bund yield rose to 2-3/4 month highs on Monday which pushed also gold prices lower.
- ▲ Although, Gold is likely to find support from worldwide spread of the delta Covid variant which is likely to crimp the global economic recovery. The overall number of global Covid cases have now surged past 232 million despite the ongoing mass inoculations in several countries.
- ▲ On US economic data front, US durable goods orders rose 1.8% mom to USD 263.5B in August, well above expectation of 0.6% mom. Ex-transport orders rose 0.2% mom, below expectation of 0.5% mom. Ex-defense orders rose 2.4% mom. Transportation equipment rose 5.5% mom to USD 80.8B. Monday's U.S. economic data was bullish for the dollar and negative for gold prices.
- ▲ Meanwhile, New York Fed President Williams said, "assuming the economy continues to improve as I anticipate, a moderation in the pace of asset purchases may soon be warranted." However, Chicago Fed President Evans said, "I expect that we will need a period of sustained, monetary-policy-induced overshooting of 2% inflation to boost long-run inflation expectations enough to deliver on our mandated goals." Fed comments on Monday were mixed for the dollar and gold prices.
- ▲ The net long of gold futures fell by -20113 contracts to 187647 contracts, according to the CFTC Commitments of Traders data for the week ended September 21. Long speculative positions fell by -10318 contracts, while short positions rose by 9795 contracts.

### Outlook

- ▲ Gold prices are projected to continue their short-term downward trend when trading below the 20-day EMA of \$1770 and the 50-day EMA of \$1790, with immediate support seen around \$1736-\$1727.

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