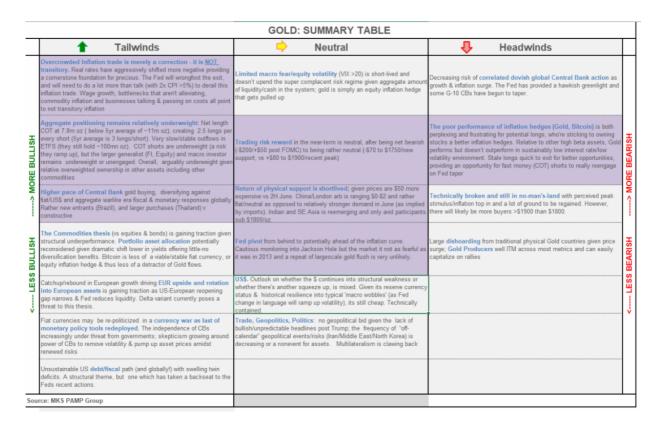
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Daily European Wrap



Given last weeks yield implosion, another hot CPI print, and the improvement in Golds risk-reward profile post hawkish FOMC (pretty bearish) to not now (leaning bullish), its worthwhile to revisit and update the bull/bear table (vs 3 weeks ago), with our thoughts and highlighting the main changes made (in purple).

The table is attached above or available here Gold Bull Bear Table

Changes:

- Overcrowded Inflation trade is merely a correction it is NOT transitory: Tailwind getting stronger. Real rates have aggressively shifted more negative providing a cornerstone foundation for precious. The Fed will wrongfoot the exit, and will need to do a lot more than talk (with 2x CPI >5%) to derail this committed inflation trade.
- **Higher pace of Central Bank gold buying, also a stronger tailwind**: Rather new entrants (Brazil), and larger purchases (Thailand) v constructive
- Physical demand/support downgraded from "tailwind" to "neutral" given prices are \$50 more expensive vs 2H June. China/London arb is ranging \$0-\$2 and rather flat/neutral as opposed to relatively stronger demand in June (as implied by imports). Indian and SE Asia is reemerging and only avid participants sub \$1800/oz.
- Fed pivot (hawkish stance) downgraded from "headwind" to "neutral": the market is simply much less fearful than the post FOMC 2021, and especially vs 2013. Yield curve and price action implies there is no taper tantrum (quite the opposite), and there was no impending washout in gold and squeeze in USD.
- Trading risk-reward in Gold has flipped from being net bearish (-\$200/+\$50 post FOMC) to being currently neutral (-\$70 to \$1750/new support, vs +\$80 to \$1900/recent peak)
- Aggregate positioning remains relatively underweight vs equities & other commodities: Net COT underweight, ETF neutral and small outflows (albeit overweight). COT shorts are underweight (a risk they ramp up), but the larger generalist (FI, Equity) and macro investor remains underweight or unengaged.

New additions:

 Headwind: The poor performance of inflation hedges (Gold, Bitcoin) is both perplexing and frustrating for potential longs, who're sticking to owning stocks as better performing inflation hedges. 15/07/2021 Constant Contact

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