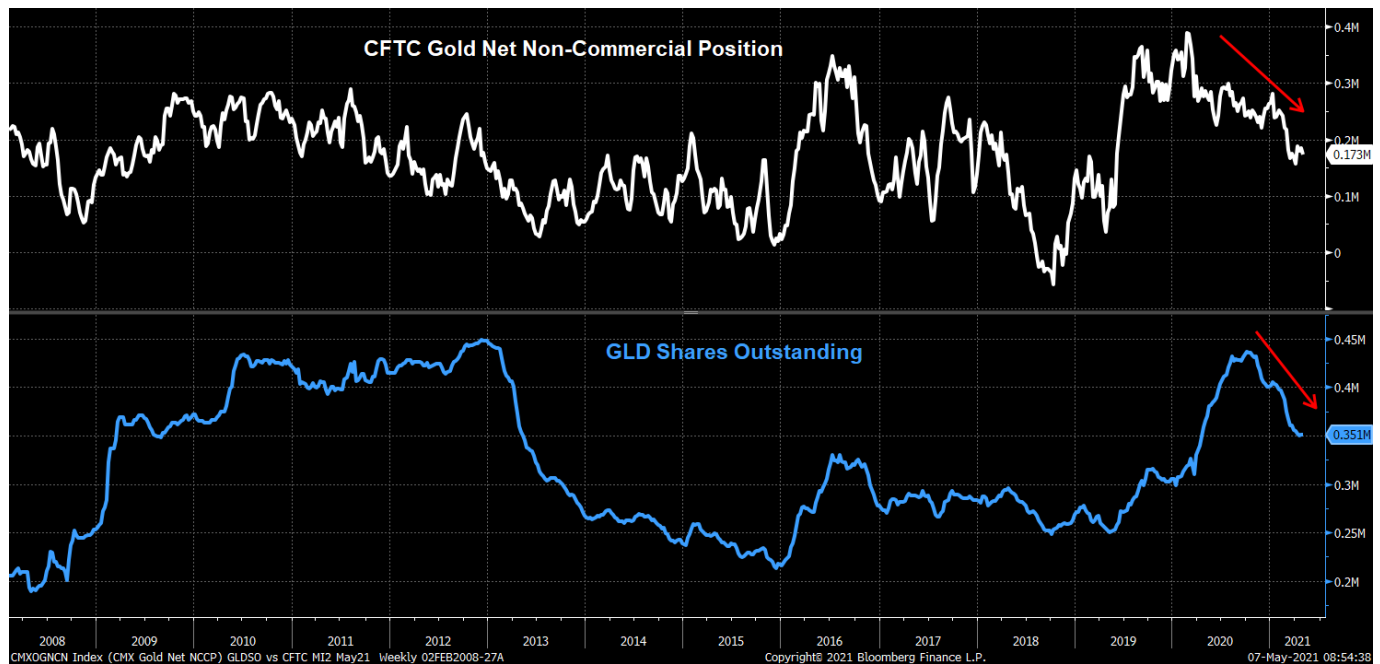


MI2 Trader: Gold, Gold Miners, and Silver

7th May 2021

Comment

Since enthusiasm for precious metals peaked last August, we have seen an extended period of price consolidation and position reduction, especially in gold. Indeed, the only stand out trade has been in platinum, which fits well with the global “greening” infrastructure story. However, our sense is that the dynamics for precious metals are turning more favourable on numerous levels.



For gold especially, one major challenge has been higher US bond yields. They are bad enough on their own but have been a double whammy for the broad sector because they have helped to support the USD over the last eight months. However, our sense is that as inflation pushes higher this summer, nominal yields will move higher, but it's almost guaranteed that real yields will move to record lows. Furthermore, these plunging real yields, in combination with loose fiscal and monetary policy, should be utterly toxic for the USD ("The Dollar: Triffin's Dilemma and the Impossible Trinity" 24th March). In fact, eager not to miss the boat, we've already started to build USD shorts against GBP and EUR ("MI2 Trader: USD Early Birds" 19th April). Thus far, these trades have gone nowhere, but the bias remains. Indeed, we recommended increasing the size on a move above 1.2250 in EURUSD. Bottom line, if the USD starts to weaken against other fiat, this headwind will be removed for gold and silver too.



Another impediment for the metals and their respective mining stocks has been that the sector just hasn't been that sexy. Yes, silver had its brief day in the sun in February when it got caught up in the Robinhood shenanigans. But in general, who has needed precious metals when all the focus has been on reopening economies and stocks? However, once again, while nothing has broken yet, we sense a change in dynamics, especially in stocks ("Chart Point: Momentum in May" 4th May).

Trades

As described above, versus a few months ago, the current set-up is a lot more compelling. Furthermore, yesterday's sharp upward move in precious metals, while difficult to attribute to a particular trigger, was interesting because it played strongly to our biases, and, in general, we like to be guided by price action. Therefore, we believe it is time to add to our existing longs ("MI2 Chart Point: Dollar the Second Shoe" 11th Jan).

Buy Gold 1820, target 2200, stop below 1750 for a better than 5:1 pay-out.



Buy Silver 27.30, target 40, stop below 25 for an approximate 5:1 pay-out.



Buy GDX at 37, target 60, stop below 33 for a better than 6:1 pay-out on a multi-month horizon.

Warning: No reproduction, transmission or distribution permitted without consent of Macro Intelligence 2 Partners LLC ("MI2 Partners™"). Unauthorized review, dissemination, distribution or copying of this message is strictly prohibited and could subject you and your firm to liability and substantial fines and penalties. If you would like clarification please contact support@mi2partners.com. The material contained herein is the sole opinion of MI2 Partners™. This research has been prepared by MI2 Partners™ using information sources believed to be reliable. Such information has not been independently verified and no guarantee, representation or warranty, express or implied, is made as to its accuracy, completeness or correctness. It is intended for the sole use by the recipient to whom it has been made available by MI2 Partners™. The delivery of this report to any person shall not be deemed a recommendation by MI2 Partners™ to effect any transaction in any securities discussed herein.



Warning: No reproduction, transmission or distribution permitted without consent of Macro Intelligence 2 Partners LLC ("MI2 PartnersTM"). Unauthorized review, dissemination, distribution or copying of this message is strictly prohibited and could subject you and your firm to liability and substantial fines and penalties. If you would like clarification please contact support@mi2partners.com. The material contained herein is the sole opinion of MI2 PartnersTM. This research has been prepared by MI2 PartnersTM using information sources believed to be reliable. Such information has not been independently verified and no guarantee, representation or warranty, express or implied, is made as to its accuracy, completeness or correctness. It is intended for the sole use by the recipient to whom it has been made available by MI2 PartnersTM. The delivery of this report to any person shall not be deemed a recommendation by MI2 PartnersTM to effect any transaction in any securities discussed herein.