# Longview Economics

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# Recommended Global Macro Trade

## Move SHORT Gold (BUY a Put Spread)

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## Recommendations

- Move SHORT Gold using a put spread. Use 33bps of NAV to fund the trade.
- Move LONG June gold put spread (3,100/3,090). Cost of spread USD1.20 (payout potential* at expiry 8.3:1). Tickers: GCM5P3100 & GCM5P3090

*NB notably lower payout if put spread is closed before expiry (i.e. closer to 4:1 with prices around 3100).

## Summary

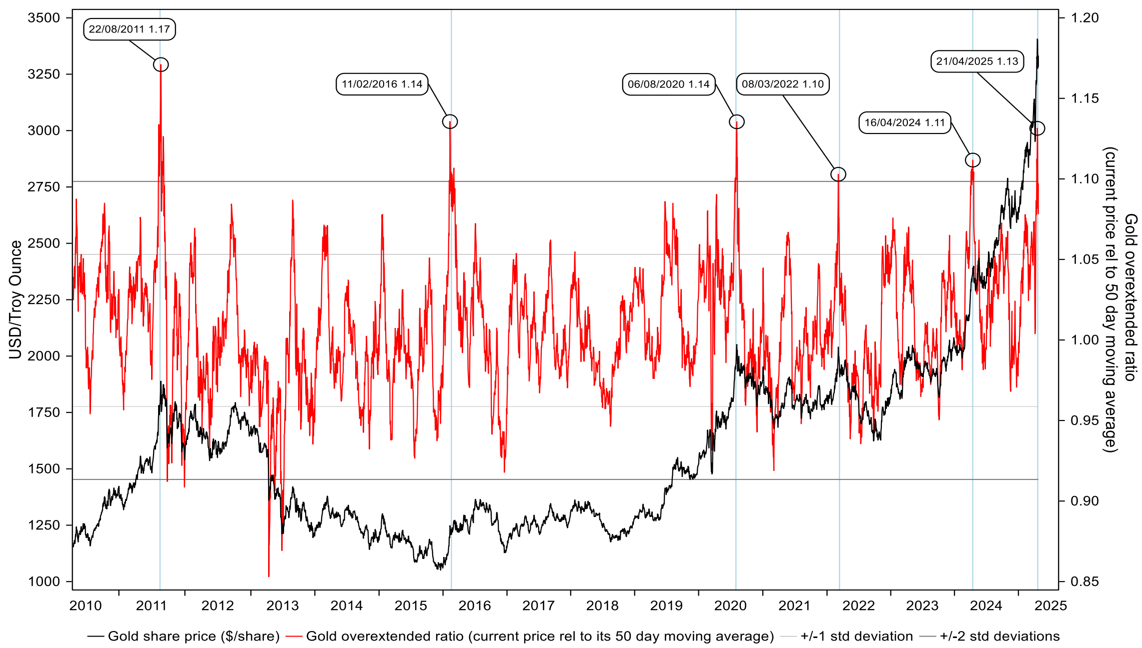
"Net 61% expect the dollar to depreciate over the next 12 months, the most since May '06"

**Source:** BAML April 2025 fund managers survey

The upward momentum in gold looks as though it has been broken (FIG 3).

As is well known, the price has rallied aggressively in recent weeks. Year to date, gold is up 25%. Earlier in April (this time last week), it was approximately 30% higher YTD. Since the end of its last major consolidation phase (i.e. August 2020 through to September 2022), the price has more than doubled.

**FIG 1:** Gold 'Overextended Indicator' vs. gold price (USD/oz)




*Source: Longview Economics, Macrobond*

With that, the price went parabolic in recent weeks. **Our overextended indicator, therefore, generated a rare +2 standard deviation (overbought) signal.**

**In the past 15 years, there have only been five prior signals** at the +2 standard deviation level (see FIG 1). They included:

i) **August 2011** (which was the **peak of the gold secular bull market** which began in 1999/2000);

ii) The signal in **February 2016**, which arguably marked the beginning of a **phase of consolidation** in the gold price through **to late 2018** (albeit the price did continue to rally through to July 2016, i.e. as US 10 year bond yields reached record lows).

iii) **August 2020** –> which was the **peak of the COVID rally** (post the March 2020 lockdown, and after pricing in the subsequent amount of substantial money creation and uncertainty);

iv) **March 2022** –> just before the Fed began to **hike rates and tighten liquidity,** with the price peaking a few days before the first hike (and then selling off sharply);

v) **April 2024** -> when the signal was followed by a **2 month consolidation phase** in gold through to June 2024, i.e. as that signal unwound; &

In other words, on a benign reading of the signals, the prior five instances have all been followed by either: i) Prolonged consolidation phase (examples 2 and 3 above); ii) a sharp multi month – even multi quarter – pullback (1 & 4 above), or; iii) in the case of the signal last year, a short lived 2 month phase of consolidation (5 above).

**The risk reward, therefore, favours moving SHORT GOLD**, either via futures (or an options structure).

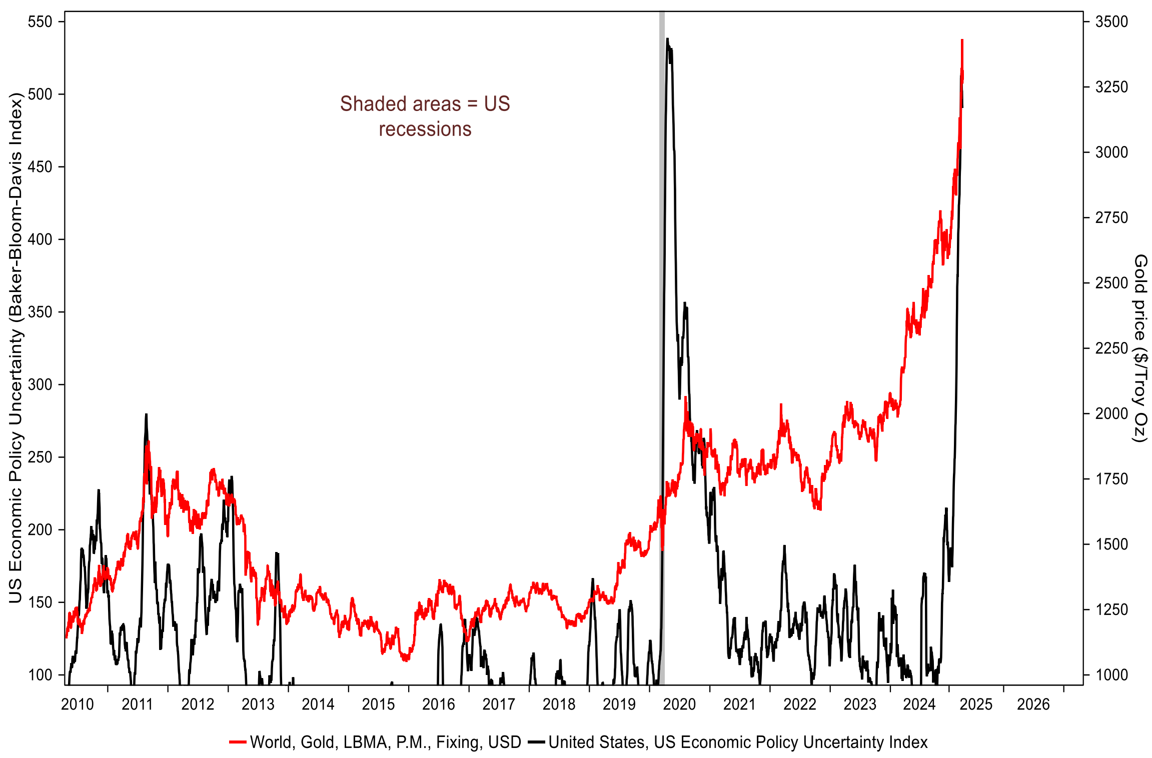
**Other factors add to that view.** In particular, there is a lot of 'gold positive' news priced in. Policy uncertainty is positive for the gold price and has just reached record highs, at a level equivalent to the high reached in COVID (FIG 2).

That heightened level of uncertainty is also consistent with other more anecdotal/survey evidence. In the BAML fund managers survey, for example, **42% of respondents said that gold would be the best performing asset in 2025** (NB next best was cash at 18%). Equally, in that survey, a 'record 2 month rotation out of US stocks' was reported, fund manager sentiment "sinked (Ed: 'sunk') to its 5th lowest level on record" on the trade war; while 'hard landing' expectations jumped to 49% (from 11% in March). All of that, of course, is gold positive (& is now in the price). At the margin, therefore, the balance of risks is for an improvement in the underlying sentiment.

Added to which, the dollar has sold off as the gold price has rallied. The dollar, though, is now oversold (and at a key support level – see last week's 'Longview on Friday' for detail).

Furthermore, other gold models are also signalling caution towards LONG positions (supporting the case for SHORT positions). Gold 'Consensus' sentiment, for example, is high (i.e. widespread bullish which is a contrarian SELL signal); technically Gold is overbought in the short and medium term (using Longview technical scoring systems – FIGs 4 & 6); while net speculative positioning has eased off (although was just recently at notably high levels – FIG 5).

**FIG 2:** US economic policy uncertainty index vs. gold price (USD/oz)




*Source: Baker, Bloom & Davis, Longview Economics, Macrobond*

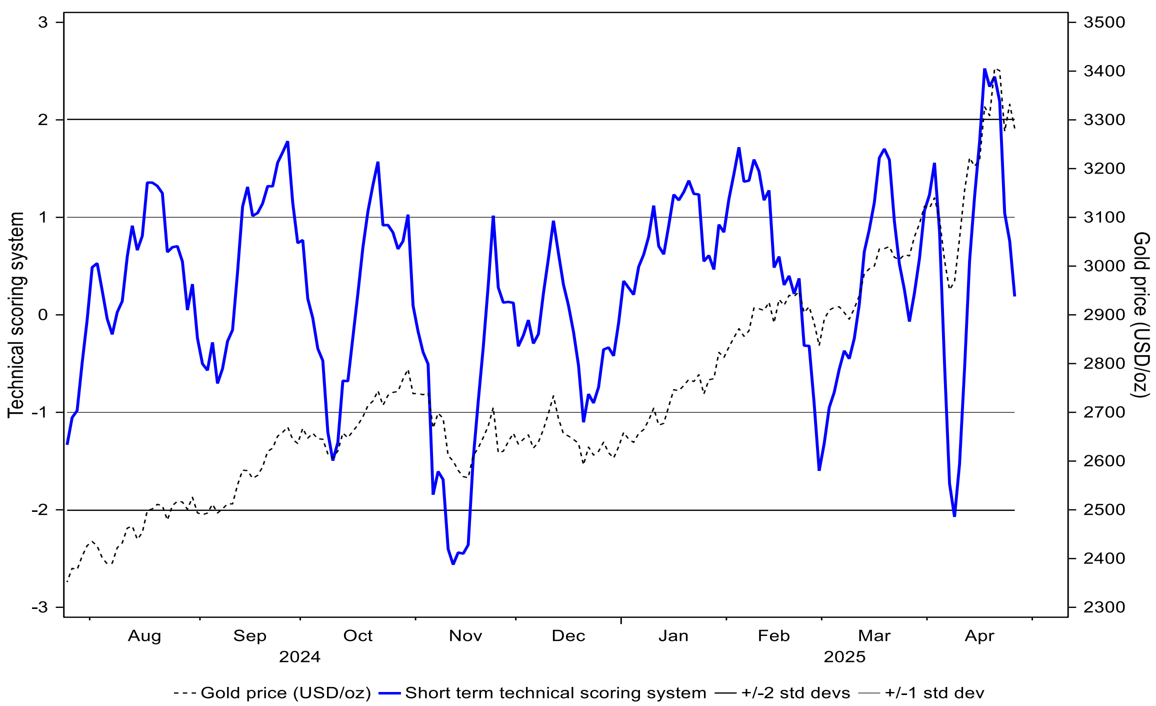
**Conclusion:** Risk reward favours starting to BUILD SHORT gold positions. Given the unpredictability of Trump's policy related newsflow, we recommend using options (which better accommodate near term volatility, compared to futures). The strategy is laid out at the start of this piece (see 'trading recommendation').

## Key charts

### **FIG 3:** Gold futures with 50 & 200 day moving averages (USD/oz)

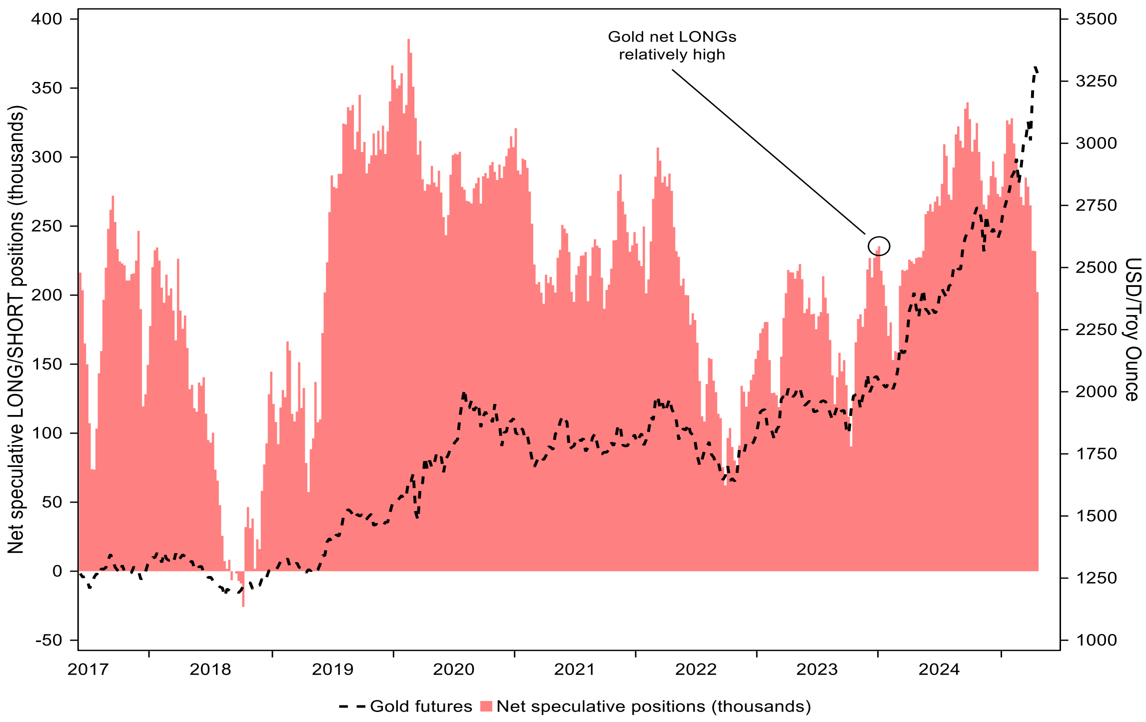

*Source: Longview Economics, Macrobond*

### **FIG 4:** Short term gold technical scoring system vs. gold price (USD/troy oz)



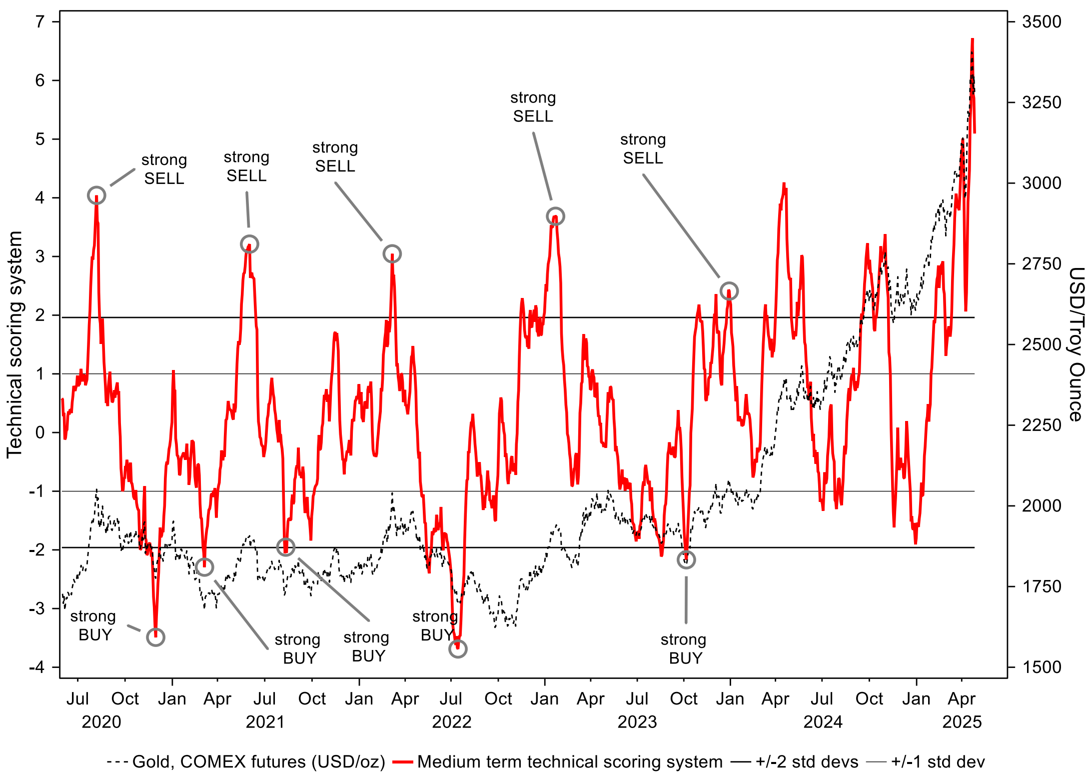

*Source: Longview Economics, Macrobond*

**FIG 5:** Gold net speculative positioning vs. gold price (USD/oz)




*Source: Longview Economics, Macrobond*

**FIG 6:** Gold medium term **'technical'** scoring system vs. gold price (US$/oz)




*Source: Longview Economics, Macrobond*

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