

Bad News for Markets Offers Little Help to Gold as Metal Dithers
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By Joe Richter and Marvin G. Perez

(Bloomberg) -- The moment that gold bulls may have been waiting for has been less than momentous for the metal. With an equities rally wavering, trade relations between world's two largest economies deteriorating and U.S. borrowing costs slipping, the commodity often seen as a haven in times of turbulence is encountering troubles of its own. Gold prices are headed for a fourth straight monthly drop, and have seesawed between weekly gains and losses since late April.

Bullion, which hasn't posted more than three straight daily gains since March, has been stuck in a fits-and-starts pattern as signs of resilient growth and a rising dollar counter concern that the world economy is set to slow. Even increased wagers that the Federal Reserve will ease monetary policy this year haven't been enough to sustain rallies in bullion, which can benefit from low rates because it doesn't pay interest.

"Prices are kind of range bound, nobody is making any money, so on the margin, people are just disinterested," said John Laforge, the head of real asset strategy at Wells Fargo Investment Institute, which oversees 1.9 trillion. "You really need something fearful out there, which is the scary part. You really need something that rattles markets for gold to take off."

The following charts show what's bothering bullion.

Greenback Comeback

Investors in search of haven assets are often bypassing gold in favor of the dollar. After slumping in late 2018 and early 2019, the Bloomberg Dollar Spot Index is on its way to a fourth straight monthly gain. The gauge touched a 2019 high late last month.

Momentum Stalls

Some technical indicators are also painting a bearish picture. Bullion futures' moving average convergence-divergence indicator, a measure of price momentum, fell last week below the so-called signal line. That's considered a bearish sign to traders who follow price patterns.

Exchange-Traded Funds

Exchange-traded-fund investors have been slow to return to gold. Holdings in SPDR Gold Shares, the world's biggest ETF backed by the metal, posted the first weekly gain in seven on Friday, but are down about 6% this year. Investors in iShares Gold Trust, which has lower fees that tend to attract more retail buyers, have also been pulling out, with assets declining for five straight weeks after reaching an all-time high just last month.

Not Dead Yet

To be sure, gold still has a lot working in its favor. Central-bank buying has emerged as a key trend in the global market, with first-quarter purchases at the highest in six years, according to the World Gold Council. China's central bank boosted bullion reserves for a fifth straight month in April, recording the biggest inflow since 2016 and reinforcing speculation that purchases will be sustained. Money managers have also turned more bullish on the metal. They've boosted their long position in U.S. gold futures and options for three straight weeks, according to the latest government data. Bullish bets in the week ended May 14 jumped by the most since 2007.

To contact the reporters on this story:

Joe Richter in New York at jrichter1@bloomberg.net;

Marvin G. Perez in New York at mperez71@bloomberg.net

To contact the editors responsible for this story:

Luzi Ann Javier at ljavier@bloomberg.net

Joe Richter