

## Time For Gold?

Gold has become one of the market's most overlooked tactical trades. The technical picture is improving, speculative positioning is turning higher and options markets are increasingly set up for a squeeze. None of this guarantees a rally, but the risk/reward is becoming increasingly interesting.

## Trapped

Gold is getting squeezed between a major long-term uptrend and a persistent short-term downtrend. The metal remains well below its 200-day moving average, but momentum is quietly improving, with early positive RSI divergences starting to appear.

**\$4,000 is the battleground.** Hold that level, and the setup for a tactical bounce becomes increasingly attractive.



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## Dollar is key

Gold has traded almost tick-for-tick with the inverted DXY in recent months. The dollar has rallied a long way in a very short period, leaving it vulnerable to a tactical breather. We doubt the dollar's bigger trend has changed, but even a modest pause could be enough to give gold the catalyst it has been waiting for.



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## Rotation?

The AI semiconductor frenzy has acted like a magnet for capital, draining flows from many other assets. As that leadership begins to wobble, investors are already rotating into areas like Bitcoin, the Mag7 and software. If the dollar also pauses, gold could become another beneficiary of that rotation. The chart below shows just how closely gold has traded opposite the KOSPI throughout this AI mania.



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## Speculators are tiptoeing back

Speculators appear to be noticing. Net non-commercial positioning has just posted its biggest increase since the blow-off top buying frenzy. Positioning remains far from euphoric, but it's the clearest sign in months that speculative appetite is returning.



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## Hedges in reverse

Gold's recent decline has been accompanied by a strong bid for downside protection, a reversal of how gold volatility typically behaves. Investors have chased puts into the selloff, leaving the options market increasingly skewed. A bounce could trigger the opposite dynamic, with downside hedges being unwound and dealer flows reinforcing the move higher.

From an options perspective, selling downside skew via risk reversals looks increasingly compelling, albeit with clear directional exposure.



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## Warsh

The first hints of that shift may already be appearing. Warsh didn't say much at Sintra, but his comments on lower inflation expectations and continued optimism on AI were enough for markets to revive the debasement trade: gold higher, dollar lower and a steeper curve.

Sometimes markets don't need big news. They simply need an excuse.



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***Gold doesn't need a major macro shock to bounce. A modest pause in the dollar, continued capital rotation away from AI leadership and the unwinding of crowded downside hedges could be enough. Several independent pieces are beginning to point in the same direction, and that's exactly when tactical opportunities tend to emerge.***