



Commodities Model Portfolio Update

Global Rates, FX & Commodities Strategy

13 October 2021

▶ BASE METALS

▶ COMMODITIES

▶ GLOBAL MARKETS

Position	Entry Level	Target Level	Stop-Loss	Trade Size	Expected Horizon
Long Apr-22 \$1850/\$2000 GCJ2 gold call spread	(\$306k)	\$1.46mln	(\$306k)	117x	4 months

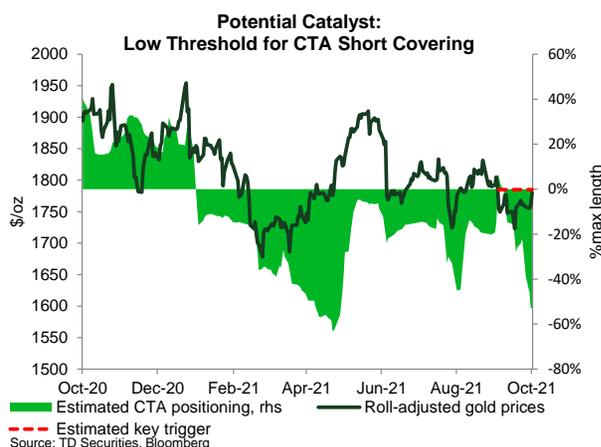
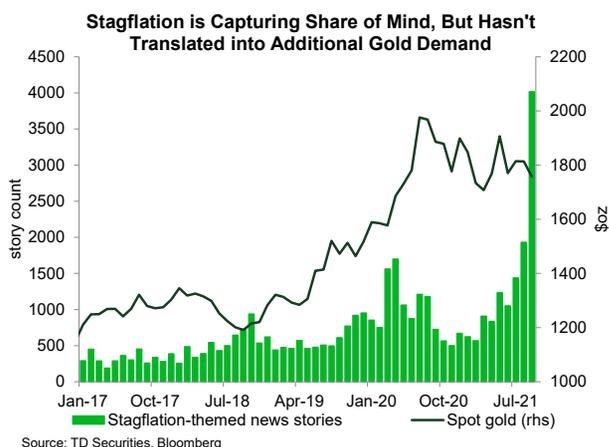
▶ For open and closed trades, please see the CTA Position Tracker

[Corrected] Trading Gold's Fat Right Tail

Trade: We buy Apr-22 gold \$1850/\$2000 call spreads, reflecting a fat right tail in gold as the yellow metal could be an ideal hedge against the rising risk of stagflationary trends.

Fundamentals:

Continued investor liquidations, which saw less ETF holdings and reduced speculative interest over the last several months reflect the poor sentiment that is pervasive across the precious metals complex. Yet, the Fed's targeting of full employment should still support uber-easy policy for longer than many expect. Speculators have unloaded their length against rising Central Bank purchases, reflecting the market's intense focus on pricing the Fed's exit and ignoring risks on the horizon. Although stagflation has captured share of mind, it has yet to translate into additional gold demand. However, as the global energy crisis intensifies, reasons to own the yellow metal are also growing more compelling. A cold winter could send energy prices astronomically higher, asymmetrically fueling stagflationary winds. This translates into a fat right tail in gold prices. With a low bar for short covering, CTA trend follower purchases could be a potential catalyst.



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