



- Gold rallies sharply on geopolitical escalation raises demand for safe haven
- Physical demand witnesses signs of improvement

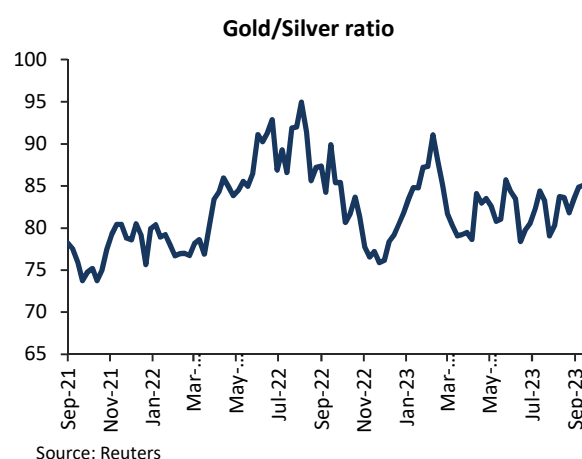
Gold prices rose more than 4% last week, as clashes between Israeli and Hamas forces over the weekend raised the risk of a wider Middle East conflict and boosted demand for safe-haven assets like bullion. Fed officials in the previous week continued to prepare the market for one more rate hike this year, which kept the dollar index and US Yields near their recent highs. Meanwhile, safe haven buying was seen in precious metals and the dollar after Hamas fighters rampaged through Israeli towns as the country suffered its bloodiest day in decades.

Physical gold demand improved in some Asian hubs in the last couple of weeks as a recent dip in prices attracted buyers, with premiums in India hitting a 17-month high as jewelers stocked up ahead of the festival season. Also, comments from Fed officials this entire week has increased the bets for a pause in November meeting, as the probability chart shows more than 90% chance and 70% in December meeting. A growing sense of uncertainty around the path of US economy, with volatile data and tightening financial markets posing risks to growth, pushed Fed policymakers into a newly cautious stance.

FOMC meeting minutes showed Fed officials at their September meeting differed on whether any additional interest rate increases would be needed, though the balance indicated that one more hike would be likely. While there were conflicting opinions on the need for more policy tightening,

Exchange Contract	Gold Spot	COMEX	MCX
Open	1869	1878	57970
Close	1932	1927	59408
Change	63	97	2537
% Change	5.43%	5.31%	4.46%
Pivot	1911	1912	58926
Resistance	1953	1946	59921
Support	1889	1893	58413

Silver- Weekly Market Data			
Exchange	Silver	COMEX	MCX
Open	21.83	22.48	69365
Close	22.70	22.73	71287
Change	0.87	0.25	3117
% Change	5.14%	5.51%	4.57%
Pivot	22.43	22.64	70690
Resistance	23.08	22.80	72083
Support	22.05	22.57	69894





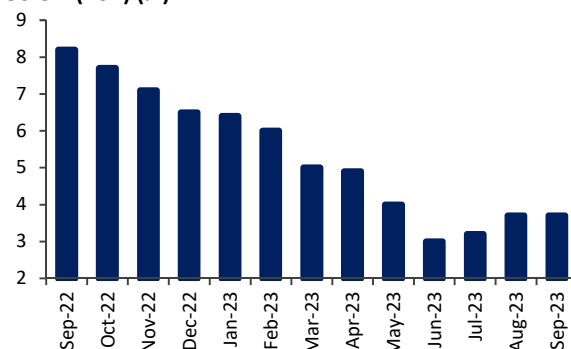
there was unanimity on one point – that rates would need to stay elevated until policymakers are convinced inflation is heading back to 2%. Reaction on the dollar was marginally positive after the release of meeting minutes and better-than-expected in the recent past have also added to gains for the dollar.

Investment in gold witnessed remained unchanged for the week ended 22nd Oct, 2023 and holdings currently stand at ~1968 tonnes compared to holding of ~1967 tonnes in the previous week. Holding in ishares silver ETF witnessed an outflow of ~60 tonnes and holdings currently stand at ~13,972 tonnes for the week ended 15th Oct. The leveraged fund short position was reduced to 11.8k, while silver short position increased to 4K lots.

Outlook

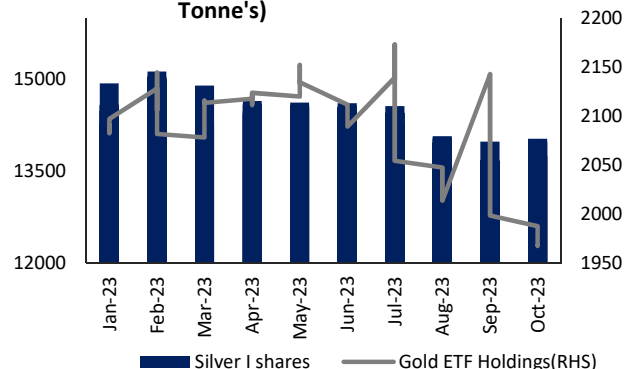
In times of rising geopolitical tensions, we expect that safe haven buying is likely to keep precious metal prices supported at lower levels. At the same time, any retracement in the dollar against its major crosses could extend gains for both gold and silver. On the economic calendar, from the US, investors will be keeping an eye on retail sales, housing and Philly Fed manufacturing Index number. Better-than-expected economic data from the US could gains capped in the short term. From the UK, inflation number will also be important to watch; expectation is that the number could come in marginally lower in September as compared to the previous month. We expect gold and silver to trade with elevated volatility but momentum will be to buy on significant dips.

US CPI (YoY) (%)



Source: Reuters

Gold ETF and Silver IShares Holdings (in Tonne's)



Source: Reuters

Technical Outlook: -

Gold:

Over the previous week, gold prices surged by over 2500 rupees, marking a substantial gain of 4.45%. This remarkable uptrend reversed the preceding two weeks' downward movement, effectively recovering all the losses during that period. Nevertheless, the gold prices encountered significant resistance at the Rs. 59700 mark. If the prices successfully breach this critical level, it may open the path for a continued rally, potentially driving the price into the range of 60000 to 60400. Currently, the immediate support is situated at Rs. 58600.



Silver:

During the latest trading week, silver experienced a notable increase of around 3100 rupees, signifying a gain of 4.57%. This marked a significant shift upward after enduring a two-week decline. Previously, prices had breached the lower boundary of a descending channel and are currently retesting that same lower limit. The immediate hurdle stands at Rs. 72300, acting as a barrier to further upward movement. Should prices fail to overcome this resistance level, there is a potential for a substantial decline, which could drag the price toward the range of Rs. 70000 to 68800.





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