



Monday, November 20, 2023

Gold and Silver prices picked up pace in the previous week and posted gains of more than 1.5% and 4% respectively. Weak economic data points from the US, fall in Dollar Index, higher expectations for a pause were few of the reasons supporting bullions on lower levels. Last week, Dollar Index fell by ~1.9%, falling from highs of around 106 to 103.90; while US 10Y fell from ~4.7% till 4.38% and then quickly reversed.

In a data set that was unanimous in showing inflation continuing to cool, US CPI was reported at 3.2% in October, the first decline in four months against the 3.7% rise in 12 months to September; similarly US Core CPI also fell by 0.1% lower than estimates. This fall in inflation reduced any chance of a rate hike in coming Fed meetings supporting an up-move in Gold and Silver prices. US retail sales were lower than previous month but were higher than the estimates, in a sign of consumer's relative resilience, even as several big retailers acknowledged economic pressure is crimping spending ahead of the holiday season. Weekly jobless claims were also lower than expectations signaling an ease off in labor market, however housing related numbers were surprisingly better than expectations capping some gains for bullions.

Federal Reserve officials were quite active in the previous week giving out mixed comments and watching their steps cautiously, not declaring a premature victory over inflation and keeping the bets for rate hikes alive. Fed official Mary Daly mentioned that recent economic data was encouraging and proved that Fed's policies were proving effective but refused to rule out another interest rate hike.

Exchange Contract	Gold Spot	COMEX	MCX
Open	1981	1983	60686
Close	1980	1982	60713
Change	-1	49	1054
% Change	2.23%	2.54%	1.77%
Pivot	1984	1982	60782
Resistance	1989	1984	60931
Support	1975	1980	60564

Silver- Weekly Market Data			
Exchange	Silver	COMEX	MCX
Open	23.72	23.91	73343
Close	23.73	23.81	73140
Change	0.02	-0.10	3107
% Change	6.81%	7.18%	4.44%
Pivot	23.85	23.93	73345
Resistance	24.05	24.04	73795
Support	23.52	23.70	72689





Comments further showed that Fed is still bewildered, risks of over tightening monetary policy causing unnecessary economic pain and job losses v/s doing too little and letting inflation settle at a higher level.

Amidst these comments and economic data points, some fluctuations were seen in the interest rate probability chart as well. CME Fed watch-tool suggest that probability for a pause in December Fed meeting rose to about 99%, probability for a rate cut is also being discounted in mid next year supporting this rally in safe haven assets.

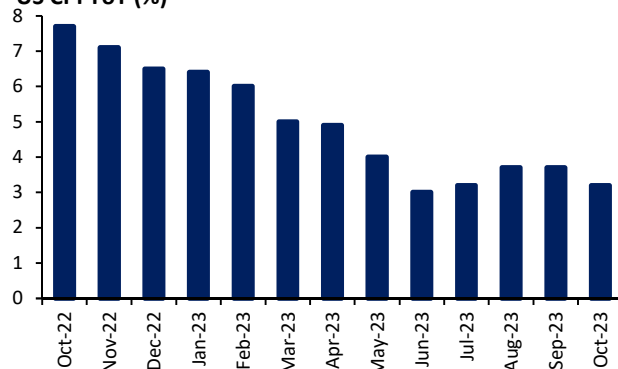
Over the weekend, there were some updates regarding an ease off in Israel- Palestine dispute; sources suggested that Israel and Hamas have reached a tentative deal to halt war and free hostages as well. However, there were no further confirmation of this report not holding much substance in the market. We have definitely seen an ease off in the risk premium in Gold, Silver and Crude oil as well, however just like Russia- Ukraine, this dispute could also give jerks to the market at certain intervals.

Investment in gold witnessed an inflow for the week ended 19th Nov, 2023 and holdings currently stand at ~870 tonnes compared to holding of ~867 tonnes in the previous week. Holding in ishares ETF also witnessed an outflow of ~130 tonnes and holdings currently stand at ~13,595 tonnes.

Outlook

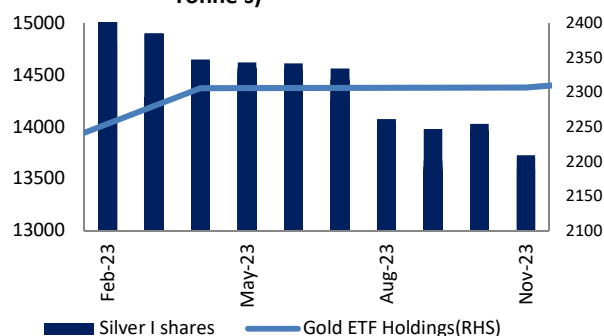
In this holiday-shortened week, economic calendar is also light which could keep the volatility a bit lower. Focus will be on US Core durables goods orders data and preliminary Manufacturing and Services PMI data from major economies. Market participants will actively watch comments from Fed officials this week as well. Fall Dollar Index and US Yields could weigh on safe haven assets. Any updates regarding escalation in geo-political tensions will continue to be on radar. After a sharp rally last week, both Gold and Silver could witness some ease off from higher levels, these dips could be used as a buying opportunity.

US CPI YoY (%)



Source: Reuters

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



Source: Reuters



Technical Outlook: -

Gold:

Gold prices bounced back, making up for all the losses from last week and ending close to where they started, showing a 1.50% increase. According to the Ichimoku Cloud indicator, the current price is trading above conversion and base lines that act as support, indicating a stable position.

The 14-day RSI also supports a positive trend, as it's above the 55 levels, suggesting things are looking sideways to bullish. For gold, if things go south, it has support around Rs.60200 and Rs.59700. On the upside, resistance is expected around Rs.61300 and Rs.61650. Buy on dips is suggested for the medium term.



Silver:

Silver prices recovered the entire last week's losses and formed Bullish Engulfing candlestick on the weekly timeframe. On the Daily chart, Silver has given a breakout of falling supply trend line. The technical indicator ichimoku cloud suggest that the price is trading above the conversion and base line which act as the support for the counter. It experienced a substantial rise of around 3100 rupees on the weekly basis. Prices has been trading near the previous Monthly high which is placed at Rs. 73600 levels. Sustaining above the same level could further extend the ongoing uptrend.

In terms of key levels, the support for Silver is identified at approximately Rs.71800, followed by Rs.71000. Conversely, the resistance is anticipated at Rs.74000, with subsequent resistance levels at Rs.74800. Buy on dips is suggested for the medium term.





Navneet Damani	Head Research- Currency and Commodities	navneet.damani@motilaloswal.com
Manav Modi	Analyst- Precious Metals	manav.modi@motilaloswal.com

For any details contact:

Commodities Advisory Desk - +91 22 3958 3600

commoditiesresearch@motilaloswal.com**Commodity Disclosure & Disclaimer:**

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Grievance Redressal Cell:		
Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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