



Monday, December 18, 2023

Interesting past few weeks for Gold and Silver, a sharp rise followed by brief retracements, keeping market participants on the edge. It was one of the most important week this year, as along with impact of US inflation and other economic data on the market, policy meeting from major central banks also triggered sharp turns in the Commodities segment. Dollar Index in the previous week was down by ~1.4%, while post the Fed meeting US 10Y Yields was fell from ~4.29% to 3.88% levels, supporting up-move bullions.

Exchange Contract	Gold Spot	COMEX	MCX
Open	2036	2033	62550
Close	2018	2021	62192
Change	-17	23	473
% Change	0.74%	1.14%	0.77%
Pivot	2026	2028	62281
Resistance	2037	2037	62508
Support	2008	2012	61966

The previous week started with the baggage of higher than expected US jobs data, US employers added 199000 jobs in November, a jump from Oct and another sign of labour market strength that will bolster Fed official's view that the economy can withstand high interest rates. The US consumer price index, increased 0.1% in November, and was up 3.1% from a year ago, while the monthly rate indicated a pickup from the flat CPI reading in October, the annual rate showed another decline after hitting 3.2% a month earlier. There was some pain seen in the Core and Super Core CPI i.e. excluding Food, Energy, and shelter, as these prices continue to rise increasing inflation concerns. US Retail sales however showed some strength portraying a successful thanksgiving and a black Friday sale last month.

Silver- Weekly Market Data			
Exchange	Silver	COMEX	MCX
Open	24.15	24.01	75083
Close	23.83	23.87	74525
Change	-0.32	-0.13	744
% Change	3.75%	3.91%	1.02%
Pivot	23.95	23.92	74698
Resistance	24.16	23.96	75111
Support	23.62	23.83	74113

Governor Powell sent clear signal that US central bank was done with almost two years of tightening monetary policy and would begin cutting rates in early 2024. The Fed held interest rates at 22 year high, but the decision came alongside new forecast from central bank officials pointing to ~75 bps cuts next year.





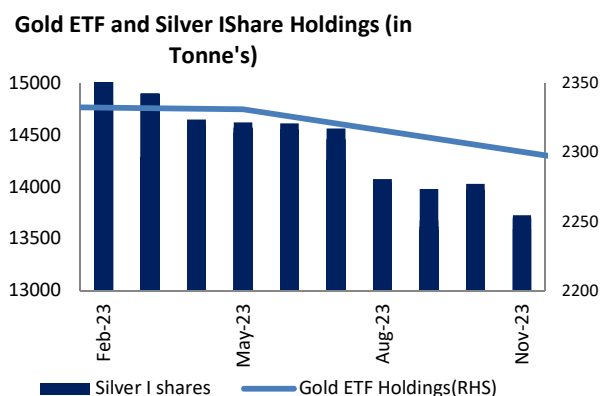
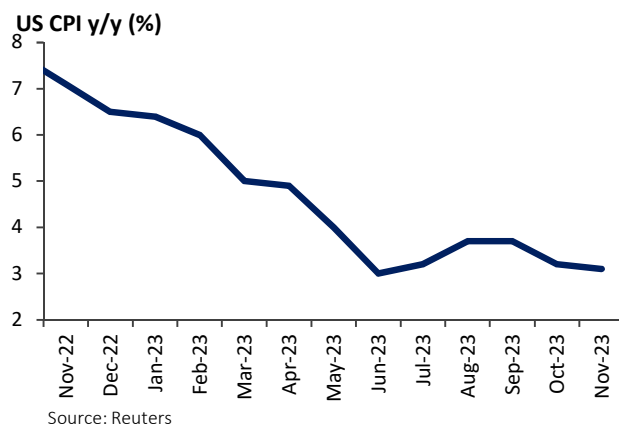
The two year treasury yield which moves in interest rate expectations fell 0.3 percentage points to 4.43% after announcement. Projections from Fed officials for unemployment were barely changed from Sep. with officials still expecting only a slight uptick in the jobless rate to 4.1% in 2024 from 3.7% now.

Just few days after such dovish tone, Fed official Bostic mentioned that he sees only two rate cuts in 2024 and expects cuts to begin in third quarter, similarly Fed Williams also tried to ease down loose monetary policy situation and said that the Fed isn't really discussing rate cuts. These comments weighed on safe haven assets, however if we see the CME Fed-Watch tool it still continues to show a higher probability for a rate cut in March'24 capping losses for the metal.

Looking at China's economic data is also important, last week inflation fell 0.5% YoY in November, and the sharpest decline in three years as the world's second largest economy grapples with worsening. PPI which measures factory gates and heavily driven by the cost of commodities and raw materials, dropped by 3% and have remained in negative territory for the past year. This becomes important to watch as weak economic data from China weighs on industrial metals including silver, however lower inflation also raises hopes for further stimulus measures with an objective to support the economy.

Investment in gold witnessed an outflow for the week ended 17th Nov, 2023 and holdings currently stand at ~878 tonnes compared to holding of ~880 tonnes in the previous week. Holding in ishares ETF also witnessed an outflow of ~184 tonnes and holdings currently stand at ~13,705 tonnes.

Economic calendar this week has some important data points scheduled which could trigger further volatility in the market. Focus will be on US GDP, Consumer Confidence and Core PCE price index. Tussle between Fed officials comments and market participant's increasing optimism regarding an early rate cut could keep market participants on the edge. Continued fall in Dollar Index and US Yields could support on safe haven assets. As we move to Christmas holidays, volatility could slow down a bit however, economic data points and Fed officials comments will be in focus, we continue to maintain buy on dips strategy for both Gold and Silver.



Technical Outlook: -

Gold:

Gold has demonstrated a consistent northward trajectory, characterized by a pattern of higher highs and higher lows on the daily chart. Over the course of recent weeks, the precious metal has exhibited a commendable ascent, marking an approximate 1% increase on a week-on-week basis.

Technical indicator Ichimoku cloud indicates a robust bullish trend, with the price consistently trading above the conversion and baseline. Furthermore, the 14-day Relative Strength Index (RSI) is noteworthy for surpassing the 60-level threshold, underscoring the prevailing bullish momentum.

In terms of key levels, the support for gold is identified at approximately Rs.61200, followed by Rs.60900. Conversely, the resistance is anticipated at Rs.62000. A decisive break above this level is likely to push prices towards Rs. 63000 levels. As per the current technical structure we recommend buy on dips in the counter.



Silver:

Silver prices experienced a substantial rise of around 1.03%, equivalent to an increase of approximately 760 rupees. The SILVER price has been trading in Bull flag pattern on the daily timeframe and at the same time, Silver has been moving in the higher highs and higher lows formation. 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. The 14-day RSI also supports a positive trend, as it's above the 60 levels, suggesting things are looking sideways to bullish.

In terms of key levels, the support for Silver is identified at approximately Rs.73800, followed by Rs.73000. Conversely, the resistance is anticipated at Rs.75500, break above this level could accelerate the momentum towards Rs. 78000 levels for medium term. Buy on dips is suggested in the counter for the medium term.





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