



Tuesday, December 26, 2023

Gold and Silver prices have marked another week of aggressive gains on firming market expectations of easing interest rates in 2024 by the Fed, as expectations increases boost gains for the non-yielding metal gold. Trend for precious metals remained positive however, some profit booking was also seen towards the end of week; along with important economic data points, we also witnessed the aftermath of the Fed policy meeting and US jobs data in the precious metal segment. Fed kept their rate steady but, comments from its policymakers weighed on the overall sentiment. On data front, US housing numbers were better than expectation but, growth and inflation data points were subdued.

Dollar Index has been under pressure in the last few weeks and currently hovering near four-month lows at 101.60, on the back of weak economic data and higher rate cut expectations. Similarly, US Yields have also been trading lower, falling from their 16 year high of 5% it marked few weeks back to now hovering below 4% mark.

Focus from Fed policy meeting has quickly shifted to the comments made by Fed officials, which has raised questions regarding the pace of interest rate cuts in 2024. Federal Reserve in their meeting kept their interest rates unchanged, raised prospects for further rate cuts and lowered the inflation and growth forecasts. However, these sentiments were quickly reversed as Fed policymakers put cold water on early rate cut expectations and mentioned that some more evidence will be required before the Fed can talk about rate cuts and inflation is also quite high. This defiantly triggered a profit booking in safe haven assets and briefly supported Dollar Index and US

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

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





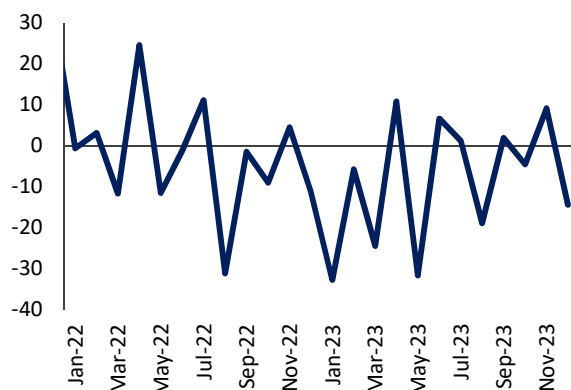
Yields, however market participants continue to discount more than 75% probability for a rate cut in March'24 providing a strong floor to both Gold and Silver prices.

US inflation cooled again in November, providing more hope that the Fed has engineered a soft landing for the world's biggest economy. The latest fall in core inflation was reported just over a week, after the central bank surprised markets by signalling that it would begin cutting interest rates next year. One more data that provided some triggers in the market was Philadelphia Fed's Manufacturing Index, as recent softening in the US industrial sector has been another factor in the push for the FOMC to call an end to its series of rate hikes. The Philly Fed number coming in well below expectations (-10.5 vs. -3.0,) we did see another lift in gold prices.

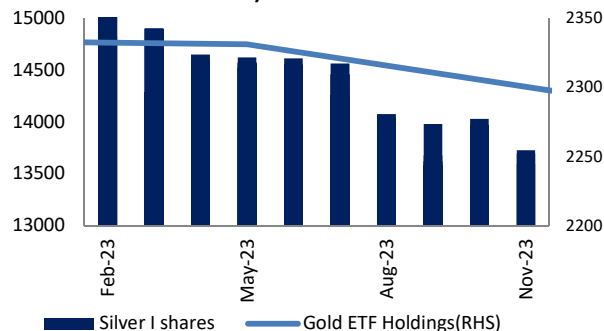
Investment in gold witnessed an outflow for the week ended 17th Nov, 2023 and holdings currently stand at ~878 tonnes compared to holding of ~880 tonnes in the previous week. Holding in ishares ETF also witnessed an outflow of ~184 tonnes and holdings currently stand at ~13,705 tonnes.

Last week of the year is normally a lethargic one as along with Christmas and New Year holidays, no major economic data points are scheduled on the calendar. Major economies are shut amidst the holiday season, which could keep the volatility in check. Higher for longer tone from Fed officials is important to keep an eye on as market participants have already started to discount early and sharp rate cuts in 2024. 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.

NY Fed Manufacturing index



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



Source: Reuters

Technical Outlook: -

Gold:

Gold prices experienced a gain of more than 750 rupees, equivalent to a 1.25% increase in the previous week. This marked the second consecutive week of an upward move. Preceding this, prices had experienced a significant rise for three weeks, reaching all time high of Rs. 64063 on December 04, 2023. Currently, the price is witnessing corrective rally, and there is a possibility that prices may test Rs. 63500 level followed by Rs. 64000. The overall market momentum remains bullish as it is holding well above its trend line break on the higher side. Thus, the range around Rs. 62700 is a favourable buying opportunity targeting 64000 for the coming week.



Silver:

Silver prices experienced a substantial rise of around 850 rupees, equivalent to an increase of approximately 1.00%. Prices had been trading in the range of Rs. 74050 to 76050 in the past week. Recently, prices have successfully given downward sloping channel breakout and it is expected to test Rs. 76050 followed by Rs. 77000 on the higher side. Thus, the range around Rs. 75100 is a favourable buying opportunity targeting 77000 for the coming week.





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