

Precious Metals Weekly

Monday, January 15, 2024

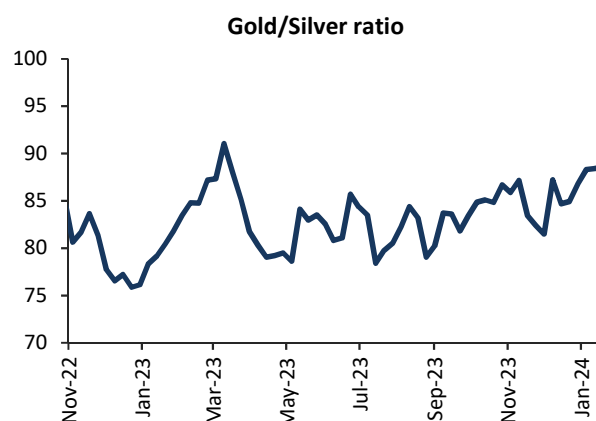
Second week of 2024 had some surprises for the Gold and Silver market providing swings in the prices. The week started with a mild let down in some key macroeconomic data, followed by rise in geo-political tensions increasing the safe haven bets for Gold and offsetting the continuously changing expectations for the pace of rate cuts in this year. Dollar Index was quite steady for the entire week after a sharp surge seen from the recent lows of 100.80 and US 10Y Yields too traded higher, marking around 4% mark in previous week.

Inflation provided mixed cues last week! US CPI outstripped forecasts in December, hitting 3.4% on an annual basis and dimming market expectations that interest would fall as soon as March. The Core CPI also came in higher than estimates, in an apparent vindication of US Fed' caution over cutting rates from their 23 year highs. However, last week ended with the producer's price index reporting lower-than estimates at -0.1% v/s 0%. The 2Y Yield which moves with rate expectations, rose immediately following the inflation data but later reversed that move leaving the yield at 4.33%. Rate cut probability did not change much after the release of these inflation numbers. Chart showed rate cut probability at ~62% at the start of the week but contrary to market expectation inched higher above 70% supporting an up-move in safe haven assets.

Fed policymakers have also said that they want to be confident that inflation was moving towards their 2% goal before dialling back on high interest rates. Fed President Cleveland Loretta Mester mentioned that there was "more work to do" and reiterated her

Exchange Contract	Gold Spot	COMEX	MCX
Open	2028	2031	61925
Close	2049	2047	62362
Change	21	23	-195
% Change	0.16%	1.14%	-0.31%
Pivot	2046	2045	62326
Resistance	2065	2059	62726
Support	2030	2033	61961

Silver- Weekly Market Data			
Exchange	Silver	COMEX	MCX
Open	22.75	22.83	71861
Close	23.17	23.22	72480
Change	0.42	0.39	-107
% Change	0.03%	-0.5%	-0.15%
Pivot	23.14	23.22	72480
Resistance	23.56	23.60	73245
Support	22.74	22.83	71715



Source: Reuters

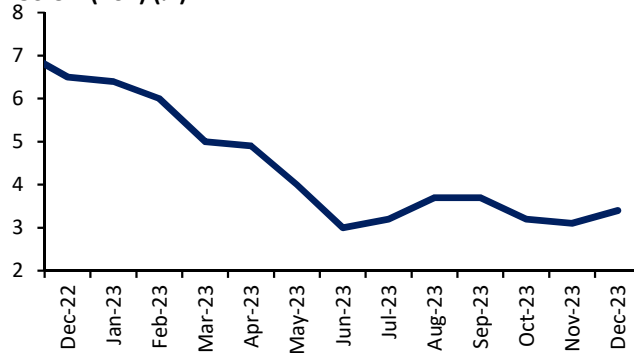
stance that March was too early for rate cuts. Fed official Bostic also mentioned that he remained biased towards monetary policy remaining tight in the near term.

The US – UK have carried out military strikes against Iran-backed Houthi rebels in Yemen, raising fears of a broader escalation of conflict in the region. President Biden said the strikes were in response to unprecedented attacks by Yemen based militants on shipping in Red Sea, adding that they sent a clear message that the US and our partners will no tolerate. The Houthis, who control northern Yemen have become one of the most active factions in Tehran's so-called Axis of resistance since the war between Israel and Hamas erupted. This sudden news of other major countries intervening in the Gulf war provided a boost in precious metals.

Investment in gold witnessed an outflow for the week ended 14th Jan, 2024 and holdings currently stand at ~863 tonnes compared to holding of ~870 tonnes in the previous week. Holding in ishares ETF also witnessed an outflow of ~27 tonnes and holdings currently stand at ~13,483 tonnes.

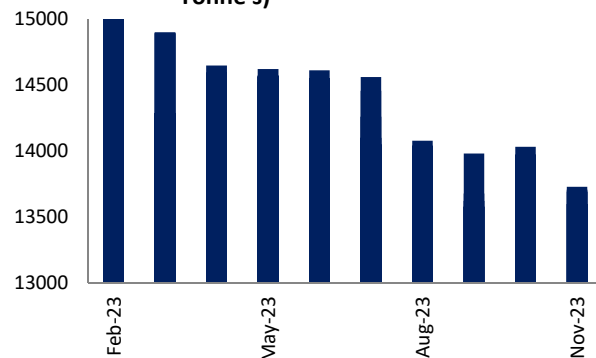
It is a holiday-shortened week as US market start this week with a Martin Luther king holiday, however there are still quite a few important economic data points scheduled in the calendar. Focus will be on US Retail Sales, IIP, China GDP and inflation data from EU, potentially triggering volatility in the market. Fed officials comments have till acted as a barriers for further rate cut expectations, if we see that this week as well, it could cap some gains for metal prices. Continued fall in Dollar Index and US Yields could support safe haven assets. Further updates regarding the geo-political tensions could also be a factor to keep an eye on. Buy on dips stance could be maintained for both Gold and silver.

US CPI (YoY) (%)



Source: Reuters

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



Source: Reuters

Technical Outlook: -

Gold:

In the previous week, Gold prices lost by nearly 200 points or 0.35%. Prices witnessed volatile sessions while recording the low of Rs. 61731 and high of Rs. 62690 throughout the week. The key support is now placed near Rs. 61800 level on closing basis. However, key immediate resistance level is observed at Rs. 62800. The 14-period RSI on daily chart has taken support near 40 mark which signals a possible bullish reversal. A decisive break above Rs. 62800 level is likely to push prices further higher towards Rs. 64000 mark in coming sessions. Buy on dips is suggested in the counter. However, our view will negate if prices break below Rs. 61800 mark on closing basis.



Silver:

During the previous week, Silver prices witnessed a decline of more than 100 rupees or 0.15%. Prices recorded the high of Rs. 73245 but failed to sustain at higher levels. The immediate key resistance is now observed near Rs. 73400 mark. However, key immediate support is placed near Rs. 71200 level. Prices are hovering near the 100 EMA (Exponential Moving Average) which is placed at Rs. 72800 level. The 14-period RSI on daily chart has taken support near 40 mark which signals a positive reversal in the counter. A decisive break above Rs. 73400 level is likely to push prices towards Rs. 74500 mark in the medium term. However, the positive view will negate if prices manage to break below Rs. 71200 level on closing basis.





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