

Precious Metals Weekly

Tuesday, March 26, 2024

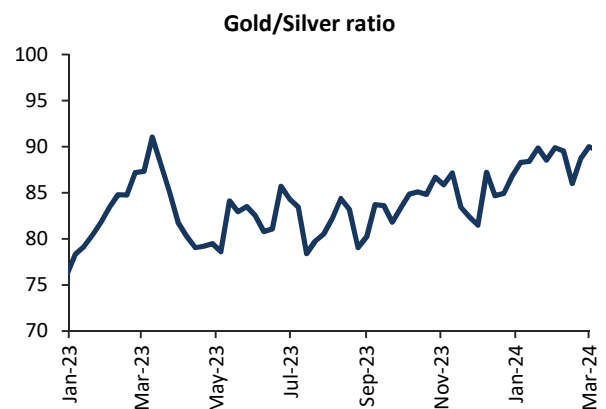
Gold continue to trade around all time high levels on back of dovish Fed outlook, mixed economic numbers, escalating geo-political tensions and volatility in Dollar Index. Silver witnessed a brief retracement from higher levels however, positive momentum in gold and industrial metals continue to provide a strong floor to the prices.

In the latest Fed meeting, US central bank clearly showed their intention regarding the interest rate trajectory this year. US Federal Reserve officials still expect to cut interest rate by at least 75bps this year, signalling confidence that inflation is cooling sufficiently to reduce the borrowing cost. The dot plot showed that the growing number of officials are of the view that the rates at the end of 2024 will be ~4.5% to 4.75%. Fed also increased inflation and growth forecast for this year, reiterating their data dependent stance. Post these numbers, Dollar Index fell by ~100bps, US 10Y Yields was also slightly lower supporting an up-move in bullions.

The dot-plot has not changed much from the Dec meet, which means despite higher inflation and continuous job additions US central bank are in favour of reducing interest rates. Sharp up-move towards life time highs is something similar to what we had seen during Dec'23 meet, wherein market participants are discounting a rate cut three months from now, but Fed officials and economic data points are suggesting the opposite. After the Fed meeting, probability for a rate cut in June'23 went up from ~50% to ~ 65%, which supported the market sentiment.

Exchange Contract	Gold Spot	COMEX	MCX
Open	2181	2183	66057
Close	2164	2160	65858
Change	-16	-2	316
% Change	0.40%	-0.07%	0.48%
Pivot	2169	2169	65990
Resistance	2181	2179	66169
Support	2152	2150	65678

Silver- Weekly Market Data			
Exchange	Silver	COMEX	MCX
Open	24.71	24.79	74775
Close	24.66	24.72	74787
Change	-0.05	-0.07	-863
% Change	-1.98%	-2.13%	-1.14%
Pivot	24.66	24.71	74838
Resistance	24.94	24.96	75377
Support	24.38	24.47	74247



Source: Reuters



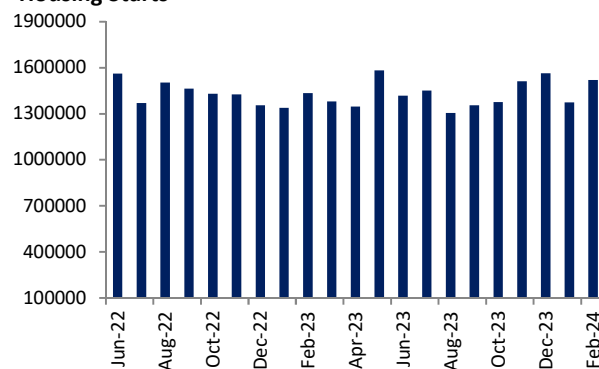
Geo-political tensions since past sometime were side-lined; however it has started to gain traction once again keeping market participants on the edge. Over this weekend, there were updates regarding an attack in a concert where we witnessed one of the largest loss of life in a terrorist assault in Russia in at least a decade. There have been continuous updates regarding the growing tussle between Israel and Hamas Group. However, on other hand the UN Security Council passed a resolution demanding a ceasefire between Israel and Hamas for the first time since the war began. This resolution also calls for the immediate and unconditional release of all hostages held by Hamas. It will be important to see how these issues escalate and provide a trigger to the market.

U.S. single-family homebuilding rebounded sharply in February, hitting the highest level in nearly two years, boosted by mild temperatures and a persistent shortage of previously owned houses on the market. Despite the hurdle created for many first-time buyers by higher mortgage rates, builders are cutting prices and offering other incentives to increase sales. They are also reducing the size of the homes being built to manage higher material costs. Preliminary manufacturing and services PMI number from major economies were reported better than expectations giving a boost to Dollar Index post the Fed meet.

Investment in gold witnessed an inflow for the week ended 17th Mar, 2023 and holdings currently stand at ~ 832 tonnes compared to holding of ~815 tonnes in the previous week. Holding in ishares ETF also witnessed an inflow of ~172 tonnes and holdings currently stand at ~13,095 tonnes. Managed net positions for Gold increased significantly from ~68K to 157K contracts; silver in the month of March has also seen a jump of 33K contracts.

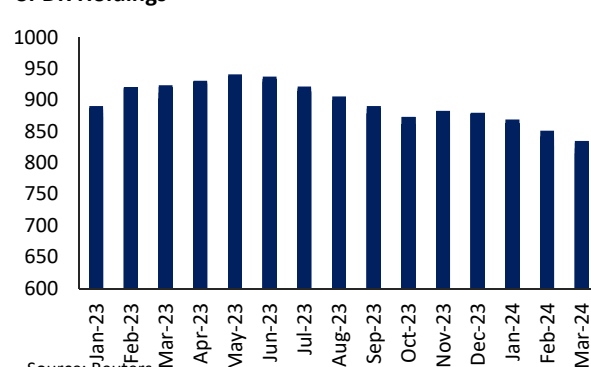
Economic calendar this week has some important data points scheduled which could trigger further volatility in the market. Focus will be on US Core PCE price index, GDP, Consumer confidence and core durables goods orders data. US Inflation number will be important, if the number is reported lower than expectations it could support the sentiments regarding rate cuts and support gains for gold and silver. Comments from Fed Governor and officials this week will also be important to watch for. Fall in Dollar Index and US Yields, could

Housing Starts



Source: Reuters

SPDR Holdings



Source: Reuters



continue to support safe haven assets. Any updates regarding geopolitical tensions will continue to be on radar. Looking at the recent move, buy on dips strategy for both Gold and Silver could be maintained.

Technical Outlook: -

Gold:

In the previous week, the price of gold surged by over 300 rupees, reflecting a 0.50% increase. This was the third weekly positive closing, resulting in a total gain of over 7%. Prices are expected to rise further, especially after the breakout above a falling wedge and bull flag pattern. The price is projected to test Rs. 67200 to 67800 rupees, but a minor correction towards Rs. 65500 is anticipated before reaching that level. The key support level currently stands at Rs. 64700 rupees.



Silver:

In the previous week, silver experienced a notable decline of around 850 rupees, marking a fall of 1.14% compared to the previous week. This marked the first week of drop after three consecutive weeks of gains. Despite briefly testing levels above Rs. 78,000, silver failed to maintain this momentum and saw a significant drop, closing at Rs. 74,787. This failure represents the third unsuccessful attempt to break out above the Rs. 78,000 thresholds. We expect a sideways to slightly positive momentum. So we suggest cautious buying on dips near Rs. 73500 with major support at Rs. 72200 as stop loss. Expected target would be Rs. 75500 to 76200





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