



Tuesday, May 21, 2024

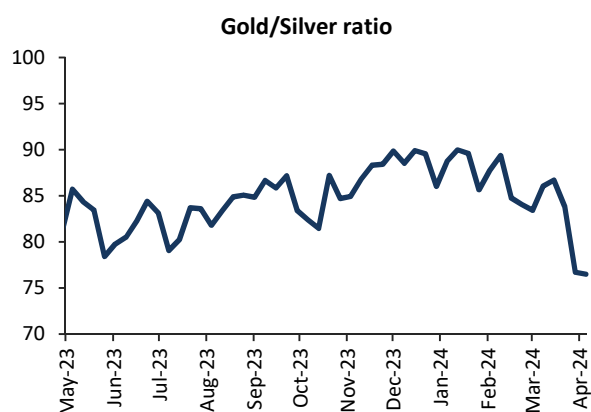
Last week significant move in the precious metals was witnessed, driven by a confluence of factors including central bank announcements, economic data releases, and geopolitical tensions. Gold and Silver prices surged by ~2% and ~7% respectively, reflecting heightened investor appetite for safe-haven assets amidst a backdrop of inflationary concerns, lower than expected economic data points and geopolitical uncertainties.

The previous week started with some monetary policy remarks from Fed Chair Jerome Powell, in which he expressed that the Fed sees the inflation remaining hot, enough that the FOMC still plans to hold rates in place for some time. Up until just recently, we would have looked for a volatile market response in gold, the US Dollar, and other assets, amidst comments from US central banks. Fed officials were also quite active in the previous week; policymakers are not ready to say inflation is heading to the central bank's 2% target after data last week, despite a fall in inflation reported earlier this month. Fed vice Chair Philip Jefferson described current monetary policy as restrictive and declined to say if he expected rate cuts to commence this year, only noting that he will be carefully assessing incoming economic data, the outlook, and balance of risks.

Lower-than-expected economic data from the United States, including disappointing retail sales, consumer price index (CPI), and industrial production (IIP) figures, weighed on market sentiment and fueled demand for safe-haven assets. These lackluster economic indicators raised concerns about the pace of economic recovery and added to uncertainty surrounding future monetary policy decisions. Consumer prices cooled in April, and retail spending did not increase at all, two welcome signs that the economy may be losing some steam in the face of a policy rate that the Fed has held in the 5.25%-5.5% range since last July. The probability for interest rate cut in September increased from 45% to more than 50%, post the data points.

Exchange Contract	Gold Spot	COMEX	MCX
Open	2376	2381	72907
Close	2415	2412	73711
Change	38	45	984
% Change	2.32%	1.90%	1.35%
Pivot	2404	2403	73442
Resistance	2434	2425	74051
Support	2385	2390	73102

Silver- Weekly Market Data			
Exchange	Silver	COMEX	MCX
Open	29.56	29.71	87110
Close	31.49	31.12	91024
Change	1.93	1.41	6114
% Change	11.87%	9%	7.20%
Pivot	30.84	30.79	90153
Resistance	32.24	31.99	93407
Support	30.09	29.92	87771



Source: Reuters

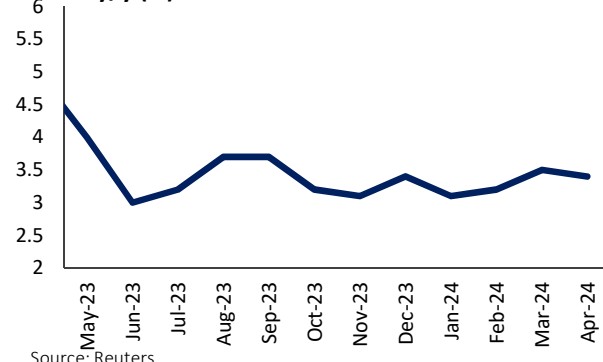


Geopolitical tensions also contributed to the rally in gold and silver prices. The unexpected death of Iran's President and ministers, coupled with escalating tensions in the Middle East, heightened geopolitical risks and amplified market jitters. Uncertainty surrounding potential geopolitical flashpoints and their implications for global stability prompted investors to seek refuge in precious metals, further driving up prices. US has clarified that they had no role whatsoever in the whole helicopter crash scenario, market participants are awaiting further updates regarding the same. President Raisi was seen as a contender to become Iran's next supreme leader, and was regarded as a major hardliner on cracking down against domestic protests and implementing more morality laws. Israel kept up its strikes against Gaza, and increased military action between Russia - Ukraine kept safe haven demand high

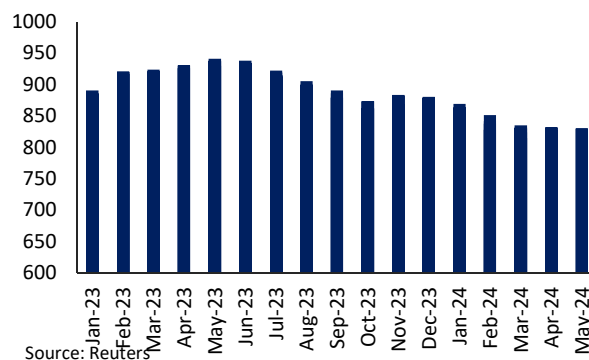
Investment in gold did not witness much change on a weekly basis holdings currently stand at ~838 tonnes. Holding in ishares ETF witnessed an inflow of ~118 tonnes and holdings currently stand at ~13133 tonnes. . Managed net positions on a weekly basis, for Gold increased significantly by ~9800 contracts; while silver's position also witnessed a jump of ~7K contracts.

Economic calendar this week have quite a few important data points in the docket. Focus this week will be on manufacturing and Services PMI data from major economies and from the US focus will be on durables goods orders data, Michigan consumer sentiment and a few housing numbers. Comments from Fed officials will be watched actively this week as well. Dollar Index and US Yields are inching higher along with Gold and Silver prices. Updates regarding the geo-political tensions now also becomes an important factor to keep an eye on.

US CPI y/y (%)



SPDR Holdings





Technical Outlook: -

Gold:

Last week, gold prices experienced a remarkable surge, gaining nearly 1000 rupees, marking a robust 1.35% increase. The bullish momentum continues as it has witnessed a consecutive rise from past two weeks. Over the past two months, the gold price has displayed a consistent upward trend followed by a slight corrective move. The primary trend continues to be upward. We expect prices to test the higher range of Rs. 74600. However, prior to that there is a possibility of a correction towards Rs. 72800, presenting a favorable buying opportunity. The key support level currently stands at Rs. 72800 & Rs. 71700 respectively.



Silver:

In the preceding week, silver prices surged by over 6100 rupees, marking a significant gains of 7.20%. Notably, silver hit a record high of Rs. 86126 last month. However, following this peak, it experienced a sharp decline of over 6000 rupees. Nonetheless, prices have now rallied again significantly surpassing the resistance level of 86000 at a rapid pace. We expect further upside potential for silver to reach new all-time highs, possibly ranging between 99000 – 1,00,000 on sustenance above 95500. It's advisable to consider buying on price declines near the 92600 and add on a further dip towards 91000 level.





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