



Monday, May 27, 2024

Gold and Silver prices witnessed sharp volatility in the previous week even after a light economic calendar. More than a \$100 move was seen in bullion last week, but towards the end, it shed more than 3%, its worst weekly dip since early December. Lower than expected data points from the US, since the start of this month have been supporting bullions however, market participants are stuck between the interest rate cut expectations and geo-political tensions in the Middle East. Dollar Index after few steady weeks witnessed some move on higher side, gaining by more than 30 bps, hovering above 105.

Last week witnessed a significant shift in market sentiment, possibly influenced by concerns over volume and supply dynamics. While last week provided some economic data supporting dissent against the Fed's stance on interest rates, this week's narrative was dominated by the Federal Reserve's communications.

The release of the meeting minutes from the early May FOMC meeting captured a shift sentiment. Prior to the meeting minutes' release, gold prices were trading steady after a strong start in this month, however, comments from Fed officials regarding sticky inflation and possible delay in rate cuts weighed on gold prices. The minutes revealed that the Fed maintains a cautious stance, citing a "lack of progress" in inflation decline. Governor Powell's comments also delivered similar messages in his comments, indicating that the central bank is unlikely to lower rates until inflation shows significant improvement. Bets rate cut has also not budged, as

Exchange Contract	Gold Spot	COMEX	MCX
Open	2328	2343	71468
Close	2334	2333	71256
Change	6	-80	-2455
% Change	-3.36%	-3.30%	-3.33%
Pivot	2335	2340	71384
Resistance	2346	2338	71557
Support	2324	2334	71083

Silver- Weekly Market Data			
Exchange	Silver	COMEX	MCX
Open	30.13	30.20	90562
Close	30.34	30.35	90548
Change	0.21	0.15	-476
% Change	-3.66%	-2.48%	-0.52%
Pivot	30.33	30.37	90788
Resistance	30.63	30.65	91210
Support	30.04	30.07	90126



Source: Reuters



market participants continue to discount ~45% probability for a rate cut in the month of September.

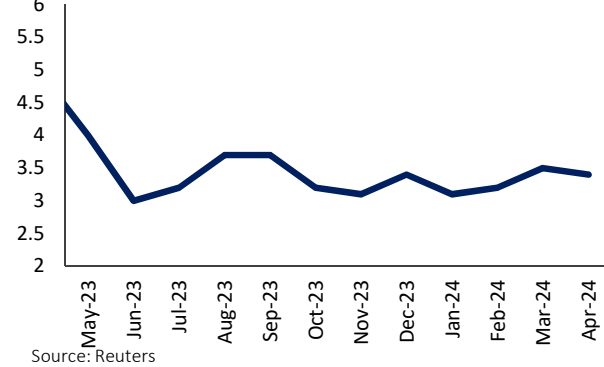
Key economic data points from US, this entire month were reported lower than expectations, including CPI and US Retail Sales growth, initially fuelling a dissent against the Fed officials' comments. However, Fed's strong communication, coupled with a lack of significant new data releases in the previous week, weighed on prices. Initial weekly jobless claims in the previous week were reported lower than expectations weighing on bullions.

In the context of geopolitical tensions, recent developments have heightened concerns between China and Taiwan. China's increased military presence around Taiwan's borders, including ongoing military exercises, has escalated tensions. The confrontation came as China's military conducted a second day of exercise around Taiwan that it has called 'punishment' of Lai. Meanwhile, the conflict between Israel and Hamas has seen attacks on Rafah by Israel, with retaliatory actions from Hamas, underscoring the volatile situation in the region. These developments contribute to a broader geopolitical landscape characterized by uncertainty and potential for further escalation.

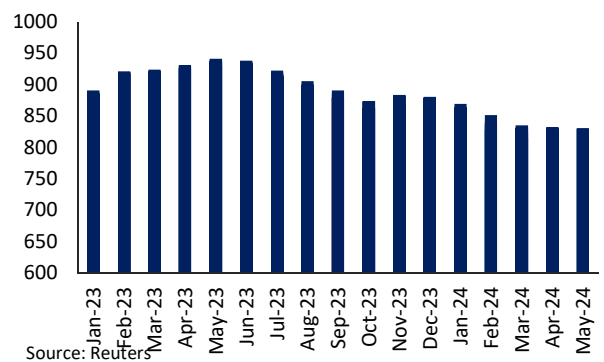
Investment in gold witnessed an outflow for the week ended 26th May, 2024 and holdings currently stand at ~833 tonnes compared to holding of ~838 tonnes in the previous week. Holding in ishares ETF did not witness much change in the previous week and holdings currently stand at ~13,014 tonnes. Speculators boosted their net-long position in Comex futures by 21,030 contracts in the week to 21 May, highest level since April 2020. Central banks are also showing no end to buying. Iran imported 4.6t in the first two months of the year, up 283% y/y.

Looking ahead, market participants will closely monitor further comments from the Fed officials, as well as any new economic data releases that could provide insights into inflation trends and the overall health of the US economy. Economic data points like US GDP, PCE price index and consumer confidence data will be important to keep eye on. Additionally, developments regarding geo-political tensions will remain a key factor to watch, as it has potential to influence market dynamics. Buy on dips strategy can be maintained for both Gold and Silver.

US CPI y/y (%)



SPDR Holdings





Technical Outlook: -

Gold:

Last week, gold prices experienced a sell off, declining nearly 2455 rupees and 3.33% fall. There is a possibility for it to test Rs. 72400 on the higher side for the coming week. Any dip towards 71100 could be a buying opportunity. Over the past two months, the gold price has remained in a broader consolidation range. The primary trend continues to be upward till it holds above Rs. 70200 in the near to medium term. The key support level currently stands at Rs. 71100 & Rs. 70200 respectively.



Silver:

In the preceding week, silver prices dropped from its record high of 95950, marking a decline of 0.52%. However, there was a slight recovery seen from its lows. It has formed a doji kind of candlestick pattern on the daily chart resembling equilibrium. The bias remains sideways to slight positive. There is a possibility for it to test 93000 level towards upside in the near term. It's advisable to consider buying on price declines near the 91100 and add on a further dip towards 90250 level.





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