Monday, June 10, 2024

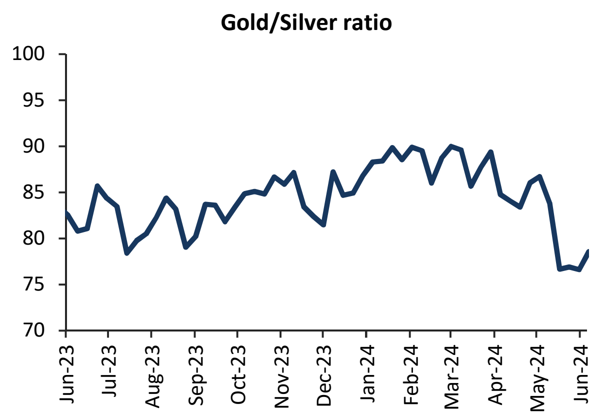
Gold and Silver started strong at the start of previous week benefitting from, positive US GDP and Core PCE price index data reported earlier, fall in Dollar index, geo-political tensions and ambiguity regarding Fed rate cut expectations. However, China's sudden announcement regarding halting their gold buying and weak US jobs data weighed on bullions and suddenly changed the sentiment. Towards the end of last week, post these two surprises, Gold and Silver languished by more than 3% and 5% respectively. Market participants were expecting a rate cut in September however, post the jobs data those expectations have also eased.

In the past week, US Manufacturing PMI was reported below the 50 mark, while Services PMI from major economies were slightly above expectations. At the start of previous week, US ADP employment change report, jobless claims and JOLTS data were reported lower than expectations signalling a weak labour market supporting bullions, however the US Non-farm payroll was an absolute surprise for the market. US labour market added 272K jobs in May, far more than estimates, pushing back market expectations for the timing of Fed rate cuts. President Biden has been commenting about unemployment rate being at or below 4% since the past 30 months-longest stretch in half a century.

Even though unemployment rate increased by 0.1%, market participants had their eyes on the overall job addition as expect for Information, mining and retail services, all other sectors witnessed a significant job addition, resulting in this kind of non-farm payroll data. Treasury bond yields surged amidst this updates, two-year treasury yield increased by 0.17% to 4.88; similarly, dollar index also rose from 104.20 to 105 level.

Exchange	Gold	COMEX	MCX
Contract	Spot		
Open	2376	2380	73237
Close	2293	2305	71353
Change	-83	-18	-481
% Change	-1.47%	-0.76%	-0.67%
Pivot	2322	2325	72014
Resistance	2358	2365	72855
Support	2257	2265	70511

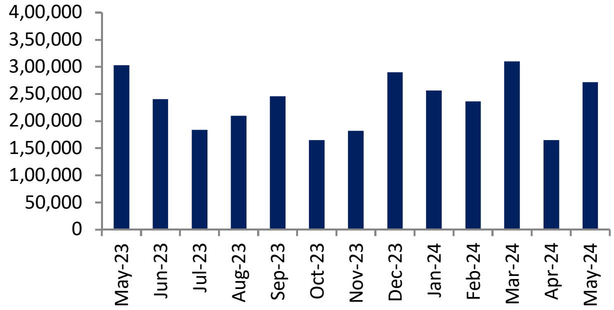
Silver- Weekly Market Data			
Exchange	Silver	COMEX	MCX
Open	31.32	31.53	93628
Close	29.18	29.34	89089
Change	-2.15	-2.19	-2481
% Change	-3.95%	-3.18%	-2.71%
Pivot	29.94	30.05	90809
Resistance	30.78	30.81	92890
Support	28.34	28.58	87007



Source: Reuters

In one more surprise last week, the People's Bank of China (PBoC) announced that they bought no gold at all in May. China broke its 18 month streak of buying gold and announced an unexpected pause in increasing its gold reserve, triggered a sharp selloff in precious metals. The announcement left traders scrambling to determine where the selling would stop and how much of this could have an impact on Gold. It is important to note that apart from China, there are a other central bankers as well who are buying Gold like India, Turkey, Singapore e.t.c supporting the sentiment, and it could be possibility that China might have taken some pause and could again resume once the prices are a bit lower.

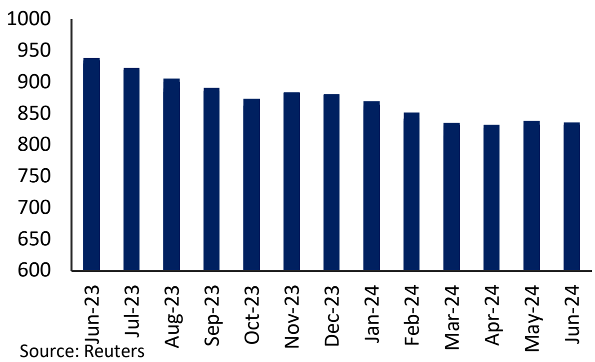
Nonfarm Payrolls



Source: Reuters

The ECB announced an interest rate cut for the first time in five years, but warned future reductions would depend on price pressure easing further. Quarter point cut to 3.75%, which has not been announced by the Fed or the UK, represented a millstone in the fight against inflation. ECB President Christine Lagarde said that there was a strong likelihood the decision marked the beginning of ailing back rates from the all-time high. It was a hawkish cut as many ECB policymakers said that decision of another rate cut at its next meeting in July seemed unlikely because of recent rises in inflation and wage growth. Fed officials were muted before the Fed policy meeting scheduled this week. However, there have been lot of changes in the overall rate cut expectations by Fed, as post US non-farm payroll bets for rate cut in September was around 55% and now it is at 40%.

SPDR Holdings



Source: Reuters

Investment in gold witnessed an inflow for the week ended 9th June, 2024 and holdings currently stand at ~835 tonnes compared to holding of ~832 tonnes in the previous week. Managed net position increased for Gold in the previous week by ~21K to 1,93,972 contracts, while for silver the position reduced by ~4K to 35800.

There have been on and off updates regarding geo-political tensions; hence any news regarding escalation of the same could support prices on lower end. There are a few important data points in the docket, which could trigger volatility in market like US inflation i.e. CPI and PPI, UK GDP and EU IIP. Monetary policy meeting of Federal Reserve and BOJ is also scheduled this week, no major change in interest rate is expected, however comments and forecast figure will be important to keep an eye on. Sustained up-move in Dollar Index and US Yields could cap gains for bullions. We could see some reversal from recent lows that prices marked last week; however, above-mentioned events could increase the volatility.

Technical Outlook: -

Gold:

In the last week of 2024, the gold market experienced significant volatility but ultimately closed on a negative note by 480 rupees, representing a 0.50% fall. In the same week, prices reached a high of 73,516 rupees. Some profit booking was observed in the market, and a corrective rally is anticipated. The technical indicator, the 14-period Relative Strength Index (RSI), stands at 65, positioned above the midpoint of 50, signaling underlying market strength. The overall trend remains bullish, with a recommendation to buy on dips in the Rs. 70,200 to Rs. 70,500 range, targeting Rs. 73,000 to Rs. 74,000. Key support levels are identified at Rs. 70,000 and Rs. 69,000, respectively.

Silver:

The silver market experienced significant volatility last week but closed on a negative note by 2,480 rupees, representing a 2.71% fall. In the same week, prices reached a high of 94,610 rupees and a low of 89,089 rupees. Some profit booking was observed on the last day of the week, and a corrective rally is anticipated. The technical indicator, the 14-period Relative Strength Index (RSI), stands at 70, positioned above the midpoint of 50, signaling underlying market strength. The overall trend remains bullish, with a recommendation to buy on dips around the Rs. 88,000 to Rs. 87,000 range, targeting Rs. 92,000 to Rs. 94,000. Key support levels are identified at Rs. 87,000 and Rs. 86,000, respectively.

Navneet Damani	**Head Research- Currency and Commodities**	**navneet.damani@motilaloswal.com**
Manav Modi	**Analyst- Precious Metals**	**manav.modi@motilaloswal.com**

For any details contact:
Commodities Advisory Desk - +91 22 3958 3600
commoditiesresearch@motilaloswal.com

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Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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