



Monday, June 24, 2024

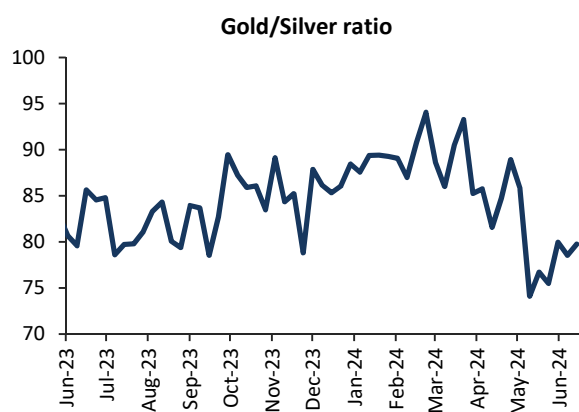
Gold and silver prices experienced significant volatility last week, initially rising sharply before retreating towards the week's end. Gold started strong, rallying on economic uncertainties and expectations of a dovish Federal Reserve policy stance. However, mixed US economic data later in the week, along with a stronger US Dollar, reversed these gains, leaving gold prices largely unchanged from the beginning of the week.

The week began with gold trading steadily, buoyed by disappointing US retail sales data for May. The unexpected contraction in retail sales suggested potential economic weakness, fueling expectations of earlier and more aggressive monetary policy easing by the Federal Reserve. However, better-than-expected US industrial production, existing home sales, and preliminary manufacturing and services PMI data were reported later in the week. Both PMI numbers significantly surpassed expectations, indicating robust economic activity compared to global peers and triggering a surge in the US Dollar. This unexpected strength in the Dollar swiftly pressured gold prices downward, erasing earlier gains.

It was a holiday-shortened week hence, some consolidation was seen in near term however, economic data points and expectations regarding Fed's future policy, gave some jerk in the market. There were a few officials, which continued to prepare the market for further delay in rate cuts this year. Few showed optimism regarding inflation, while others maintained a cautious approach, and mentioned to be watchful of inflation. New York Fed Bank President Williams said interest rates will come down gradually but declined to comment on pace of the same; Fed officials also mentioned that the central bank can't risk the progress made so far, by cutting rates.

Exchange Contract	Gold Spot	COMEX	MCX
Open	2360	2331	72677
Close	2320	2316	71584
Change	-40	-15	-381
% Change	-0.52%	-0.64%	-0.53%
Pivot	2335	2323	71997
Resistance	2354	2325	72454
Support	2302	2315	71127

Silver- Weekly Market Data			
Exchange	Silver	COMEX	MCX
Open	30.72	30.50	91252
Close	29.52	29.57	89139
Change	-1.20	-0.93	49
% Change	-0.07%	0.58%	0.06%
Pivot	29.94	30.08	89965
Resistance	30.43	30.00	90854
Support	29.03	29.65	88251



Source: Reuters

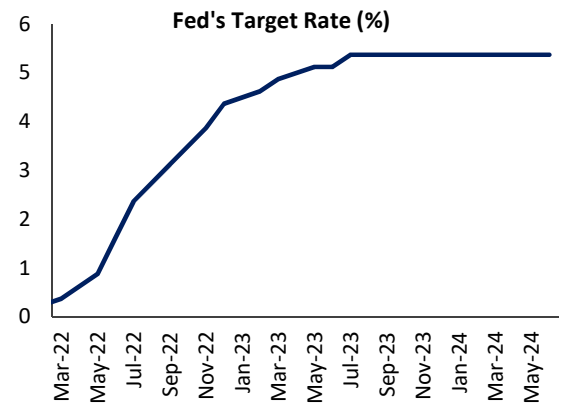


It is interesting to see that even after such positive data and comments from policymakers the probability chart has not flinched. After US CPI data which was reported lower, bets for rate cut in September meet rose to ~60% from ~45% and currently also it remains there.

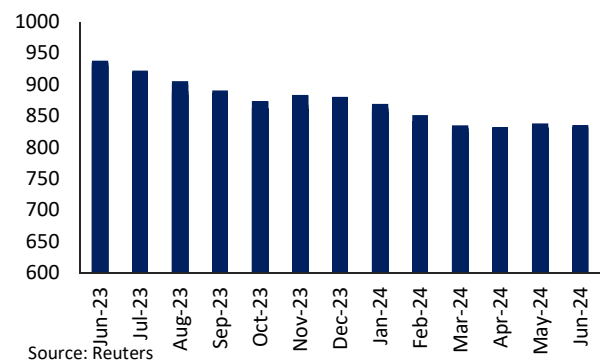
Mixed updates regarding the geo-political tensions also is keeping the market participants on the edge. Attacks from Israel on Rafah continues to increase distress in market, Israeli prime minister in his recent comments also reiterated that he would not agree to any deal that calls for an end to the eight-month war. He is open to partial deal that would facilitate the return of some captives still held in Gaza, however he showed no intention of putting an end to the war. There are some tiffs emerging between China and EU, the latter imposed higher tariffs on imports of Chinese electric vehicles. There were some updates mentioning that US has agreed to have an informal talk with China after many years, which could ease some tensions.

In this month, investment in gold witnessed an inflow of ~2 ton, holdings currently stand at ~833. Similarly, ishares ETF reported an inflow of ~590 tonnes, holdings currently stand at ~13462 tonnes.

Looking ahead, the gold market faces continued volatility as it navigates through economic data and shifts in monetary policy expectations. The Federal Reserve's upcoming PCE inflation data will likely influence market sentiment, especially as it concludes the second quarter trading period. Market participants will also keep an eye on several other data points like US GDP, consumer confidence, durables goods orders data and a few others. Few fed officials are scheduled to speak this week; hence, focus will be on comments from the same. If fed officials' comments and data points are reported better than expectations it could further support Dollar Index and US Yields. Gold and Silver could witness some relief rally however further clarity is required on above-mentioned factors, before entering on the long side for, this week.



SPDR Holdings





Technical Outlook: -

Gold:

In the previous week, MCX Gold closed down by 380 rupees or 0.53%, indicating a bearish trend. The MCX Gold daily chart shows a diamond pattern, a reversal pattern suggesting potential significant price movement. Currently, the price is at Rs. 71900, with the critical breakdown level at Rs. 71,000. A breakdown below this level could trigger a selloff, potentially driving prices down to the Rs. 69,000 to 68,000 range. The 20-day (red) and 50-day (yellow) moving averages are converging, indicating a critical point for future price direction. Resistance is now at Rs. 73,000. Traders should monitor price action and volume around these key levels for confirmation of a breakout or breakdown.



Silver:

In the previous week, Silver reached a high of 91,850 and a low of 87,850, ultimately closing flat, indicating significant volatility within this range. The MCX Silver daily chart displays a descending channel pattern. The current price movement is confined within this channel, with the 20-day (red) moving average indicating resistance around 92,000 and the 50-day (yellow) moving average suggesting support at 87,500. We anticipate the market to remain volatile but to trade within a broad range of 92,000 to 87,500.





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**Commodity Disclosure & Disclaimer:**

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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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