

# Precious Metals Weekly

**Monday, July 15, 2024**

## Overview

Significant price movements in gold last week were driven by a combination of economic data releases and Federal Reserve communications. Bullion prices started the week around \$2380 and surged mid-week to breach the psychological level of \$2400 following the release of US CPI data. Although prices sustained above this level, gains were tempered amidst positive US PPI data. This marked the third consecutive weekly gain for gold, largely influenced by market expectations surrounding potential shifts in Federal Reserve monetary policy.

## Economic Data and Governor Powell's comments

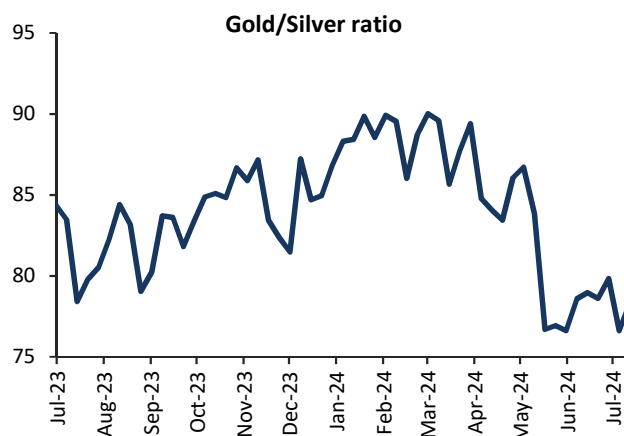
During his Congressional testimony, Federal Reserve Chair Jerome Powell emphasized that it would not be appropriate to reduce the target range for interest rates until the Fed is more confident that inflation is moving sustainably towards 2%. The Fed's objective remains balancing inflation control with economic growth, leading officials to caution against hasty interest rate cuts that could have adverse effects. Powell stressed that future rate decisions would be made on a meeting-by-meeting basis, signalling a cautious approach towards any policy adjustments.

The overall tone from Fed policymakers remains relatively hawkish, indicating a delay in potential rate cuts. In their latest policy meeting, the Fed raised their inflation forecast for the year by 0.2% and revised their dot plot to show the possibility of only one rate cut, compared to three projected in March.

US inflation figures played a crucial role last week, with June's inflation falling faster than anticipated to 3%. This outcome led investors to increase bets on interest rate cuts and resulted in lower

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

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



Source: Reuters



yields on Treasuries. Following the CPI release yields on two-year US Treasuries, which reflect interest rate expectations, dropped to a four-month low. The US 10-year Treasury yield also decreased from 4.4% to 4.2%, while the Dollar weakened sharply to approximately 104.20 against the Yen. However, gains for metals were capped towards the end of the week as US PPI data exceeded expectations, indicating higher producer prices.

**Market reaction**

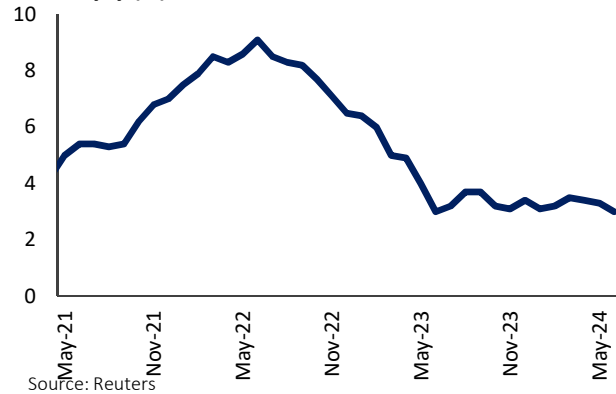
The commodities market experienced sharp swings during Governor Powell's speech and the release of US inflation data. Despite positive US PPI data and hawkish Fed commentary, expectations for rate cuts remained firm. At the beginning of the month, markets priced in a 45% chance of a rate cut at the September meeting, which rose to approximately 88% after the CPI data release, reflecting heightened confidence in an impending rate cut.

In terms of investment flows, gold saw an inflow of ~6 tonnes this month, bringing total holdings to around 835 tonnes. Similarly, holdings in iShares ETFs decreased by ~123 tonnes, totaling around 13,482 tonnes.

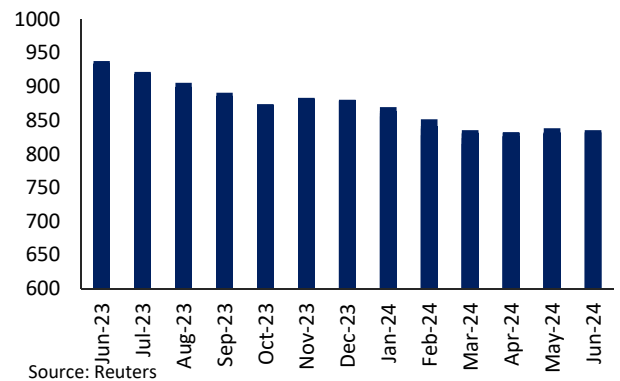
**Outlook**

Looking ahead, the gold market faces continued volatility as it navigates through economic data and shifts in monetary policy expectations. The key question remains whether the Federal Reserve will adjust its monetary policy stance in response to the latest inflation data. Market participants will keep an eye on US retail sales, industrial production and a few other important data points. 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 support Dollar Index and US Yields. Gold and Silver could trade in a broad range this week.

US CPI y/y (%)



SPDR Holdings





**Technical Outlook: -**

**Gold:**

In the previous week, gold made a low of 72,111 but managed to close higher at 73,269, registering a weekly gain of 0.30%. The MCX Gold daily chart is displaying a clear breakout from a symmetric triangle formation that developed over the past few months. This breakout, accompanied by a rise in prices above the key level of 72700, suggests an initial bullish momentum. However, the presence of strong resistance levels at 74,000 and 74,450 indicates that the upward move might face significant hurdles. Conversely, the support levels are established at 72,700, 72,100, and 71,700, providing a cushion against potential downward pressure.



**Silver:**

In the previous week, silver exhibited significant volatility, marking a high of 94,590 and a low of 92,025, but ultimately closing at 93,109, down by 0.48% from the previous week's close. The MCX Silver daily chart indicates a somewhat flat closing despite the mid-week fluctuations. Currently, the market is facing strong resistance levels at 94,600, 95,500, and 96,700. On the downside, there are critical support levels at 92,100, 91,100, and 89,700, which are likely to provide a cushion against further declines. Given these technical indicators, silver prices are expected to trade within a broader range of 95,000 to 89,000 in the upcoming week.





<b>Navneet Damani</b>	<b>Head Research- Currency and Commodities</b>	<a href="mailto:navneet.damani@motilaloswal.com">navneet.damani@motilaloswal.com</a>
<b>Manav Modi</b>	<b>Analyst- Precious Metals</b>	<a href="mailto:manav.modi@motilaloswal.com">manav.modi@motilaloswal.com</a>

**For any details contact:**

Commodities Advisory Desk - +91 22 3958 3600  
[commoditiesresearch@motilaloswal.com](mailto:commoditiesresearch@motilaloswal.com)

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**Grievance Redressal Cell:**

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	<a href="mailto:querv@motilaloswal.com">querv@motilaloswal.com</a>
Ms. Kumud Upadhay	022 40548082	<a href="mailto:servicehead@motilaloswal.com">servicehead@motilaloswal.com</a>
Mr. Ajay Menon	022 40548083	<a href="mailto:am@motilaloswal.com">am@motilaloswal.com</a>

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