



Monday, July 22, 2024

Overview

Gold and Silver prices in the past week witnessed dynamic movements driven by a confluence of factors ranging from economic data releases to statements from Federal Reserve Chairman Jerome Powell. Key economic indicators surprised to the upside, buoying gold prices despite fluctuations in the dollar index, while rise in interest cut expectations cushioned prices on lower levels. Additionally, heightened political drama surrounding the U.S. Presidential election added another layer of uncertainty to the market sentiment.

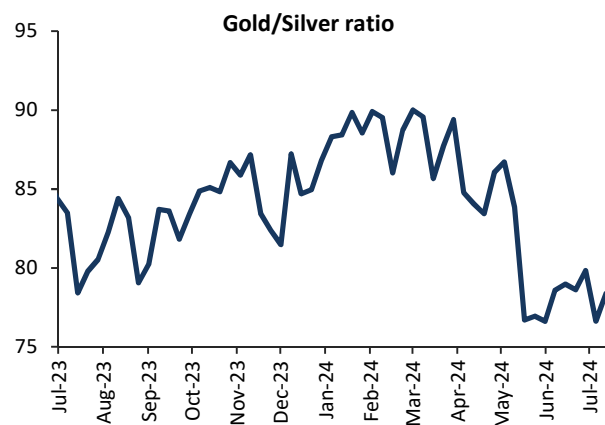
Economic data releases throughout the week provided mixed signals, with several indicators surpassing expectations. Previous week started on a brighter note because of lower US CPI reported earlier, however as week followed, Retail sales, industrial production and the Philly Fed manufacturing index were reported better than expectation. These positive outcomes underscored resilience in the U.S. economy and raised questions on Fed rate cut expectations.

Federal Reserve Chairman Jerome Powell's comments indicated a cautious stance towards monetary policy. Governor Powell mentioned that second quarter data has given policymakers greater confidence that inflation is heading down to central banks' target of 2%, however Fed is in no rush to cut interest rates. He also expressed concerns over softening in the labor market and rising deficits, suggesting a nuanced approach towards future policy decisions.

The U.S. dollar index also played a pivotal role in gold price movements last week. Following the U.S. CPI release earlier this month, the dollar index dipped to ~103.65 but post the data releases

Exchange Contract	Gold Spot	COMEX	MCX
Open	2445	2419	73810
Close	2401	2396	72990
Change	-44	-19	-279
% Change	-0.43%	-0.77%	-0.38%
Pivot	2413	2405	73262
Resistance	2433	2410	73594
Support	2381	2390	72658

Silver- Weekly Market Data			
Exchange	Silver	COMEX	MCX
Open	29.69	30.02	91441
Close	29.26	29.30	89646
Change	-0.43	-0.72	-3463
% Change	-4.91%	-5.98%	-3.72%
Pivot	29.33	29.46	90119
Resistance	29.80	29.87	90968
Support	28.78	28.90	88797



Source: Reuters



last week it rallied sharply to ~104.40. These fluctuations reflected market uncertainty surrounding the Fed's next moves and geopolitical developments affecting global currencies. Similarly, U.S. Treasury yields also climbed modestly from 4.1% to 4.2% during last week.

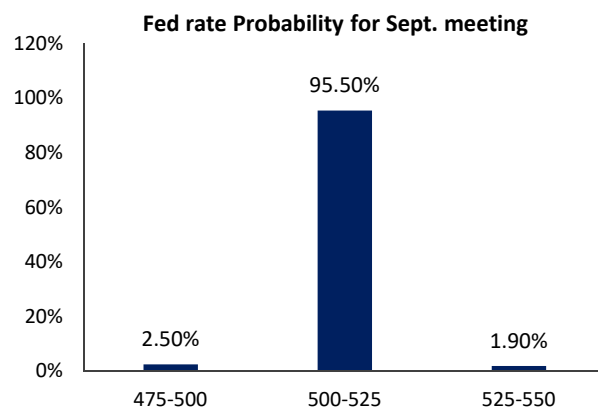
The most significant development last week was the shifting market expectations regarding interest rate cuts by the Federal Reserve. Following the U.S. CPI release, expectations for a rate cut in September surged from 60% to over 95%. Moreover, the market began pricing in the possibility of one more rate cut in November, despite Fed dot plot showing possibility of just one rate cut. Any shift in these expectations, as suggested by CME Fed watch-tool could continue trigger volatility in bullions market.

Amidst economic factors, the U.S. Presidential election injected additional volatility into the markets. The failed assassination attempt on former President Trump and Joe Biden's unexpected decision to tap out of the current election race, endorsing Kamala Harris, intensified market uncertainty. These developments reshaped investor expectations regarding policy continuity and economic strategies, influencing risk sentiment across financial markets, including gold.

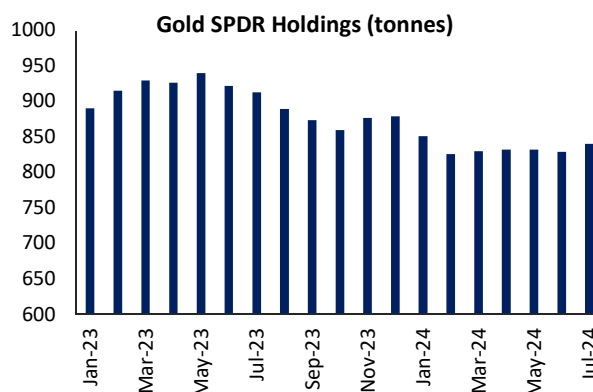
In this month, investment in gold witnessed an inflow of ~11 tonnes, holdings currently stand at ~840. Similarly, ishares ETF reported an inflow of ~75 tonnes, holdings currently stand at ~13678 tonnes.

Outlook

Economic calendar this week have quite a few important data points in the docket. Focus this week will be on preliminary manufacturing and Services PMI data from major economies and from the US, focus will be on GDP, PCE price index and durables goods orders data. 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. Lack of updates from China in their third plenum has made market participants more anxious regarding the economy, hence any update from the same trigger volatility in the market. This week, budget expectations could also influence a move in bullion. Gold and Silver prices could continue to trade in a broad range awaiting further direction amidst factors mentioned above.



Source: CME Fed-watch tool



Source: Reuters



Technical Outlook: -

Gold:

The previous week started off well for the gold market, but profit booking on the last day led to a weekly loss of 0.35%. Overall, gold continues to trade within a broad consolidation range, exhibiting a positive bias. Technical indicators suggest a bullish outlook for gold. The Ichimoku cloud indicates that gold prices are currently trading above the cloud, signifying a medium-term bullish outlook. Additionally, the 14-day Relative Strength Index (RSI) is trading above the 50 level, reinforcing the bullish sentiment. In terms of support and resistance levels, immediate support is identified at Rs. 72,000, with the next significant support level at Rs. 71,300. On the upside, immediate resistance is seen at Rs. 73,500 followed by a subsequent resistance level at Rs. 74,200.



Silver:

Last week, silver experienced significant volatility, reaching a high of 94,050 and a low of 89,270, ultimately closing at 89,646, down by 3.72% from the previous week's close. It also closed below the previous week's low. Currently, the market is facing strong resistance levels at 90,400, 91,700, and 93,000. On the downside, there are critical support levels at 88,100, 87,000, and 85,800, 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 93,000 to 87,000 in the upcoming week.





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