



Monday, August 19, 2024

Overview

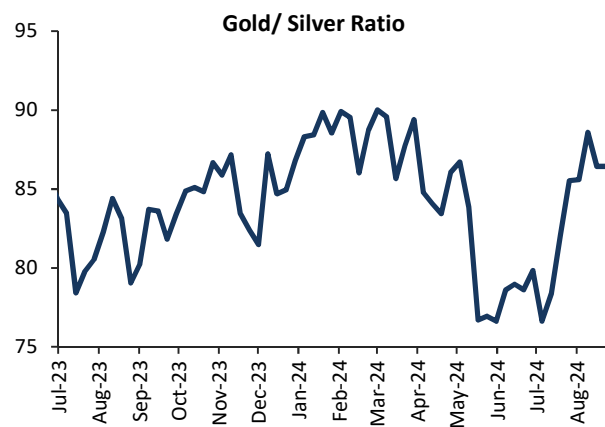
Last week, the gold market experienced significant volatility influenced by various factors, including shift in Federal Reserve interest rate expectations, US consumer inflation data, heightened geopolitical tensions, and major developments in Japan's political and economic landscape. Gold prices surged to all-time highs on COMEX but faced considerable fluctuations as market dynamics evolved.

Market participants were cautiously awaiting for inflation data in the previous week. The data showed a modest decline in core and headline inflation on an annual basis, the overall inflation rate dropped by 0.1% to fall below the 3% mark for the first time since mid-2021. Fed rate cut expectations grew stronger post eh inflation data, aligning with market expectations for a more dovish monetary policy stance. Increase in housing related expenses accounted for nearly 90% of the 0.2% monthly increase for CPI this also pushed the services inflation to 0.3% for the month. Governor Powell in his comments has argued that inflation can return to the central bank's 2% target without a recession.

On other hand, US retail sales and Michigan consumer sentiment was reported better than expectations, supporting an immediate move in Dollar Index and US Yields, which were under pressure for an entire week. US 2Y Yield recovered from a 52-week low and US 10Y Yield was hovering around 4% mark; Dollar index was steady around 103 however, gains were capped on higher side as the rate cut expectations increased. Economic data points and interest rate expectations increased the volatility for market, post the US CPI data, expectations for a September interest rate cut solidified, even if limited to 25 basis points. The likelihood of a 50 basis point rate cut in September fell from over 50% to under 30%.

Exchange Contract	Gold Spot	COMEX	MCX
Open	2456	2454	70303
Close	2507	2499	71375
Change	51	67	1480
% Change	3.14%	2.73%	2.12%
Pivot	2489	2486	71043
Resistance	2528	2521	71807
Support	2469	2464	70611

Silver- Weekly Market Data			
Exchange	Silver	COMEX	MCX
Open	28.39	28.42	81499
Close	29.01	28.85	83213
Change	0.62	0.43	2670
% Change	5.71%	4.57%	3.31%
Pivot	28.69	28.68	82697
Resistance	29.37	29.27	83896
Support	28.34	28.26	82015



Source: Reuters



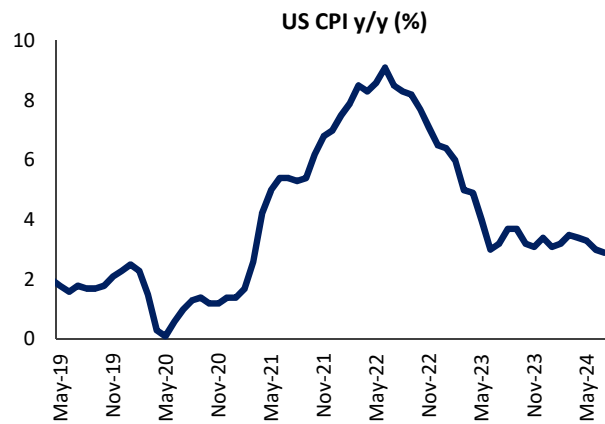
The geopolitical landscape added further complexity to market dynamics this week. In Ukraine, President Zelenskyy reported continued advances into Russian territory following a surprise incursion. Russia has responded with increased military action and evacuations of civilians, although it has not significantly reduced its military presence. Russian attacks on three Ukrainian regions resulted in the deaths of five civilians, and a Ukrainian drone attack on Belgorod, a Russian border region, injured four people. These developments have heightened global uncertainty, contributing to gold’s appeal as a safe-haven asset.

Significant volatility was also introduced by the unwinding of the Yen carry trade, a major factor affecting global asset classes. Prime Minister Fumio Kishida stepped down last week, ending months of speculation surrounding his political future amid scandal and rising living costs. This political shift has further contributed to market volatility and uncertainty, particularly affecting the Yen and related carry trades.

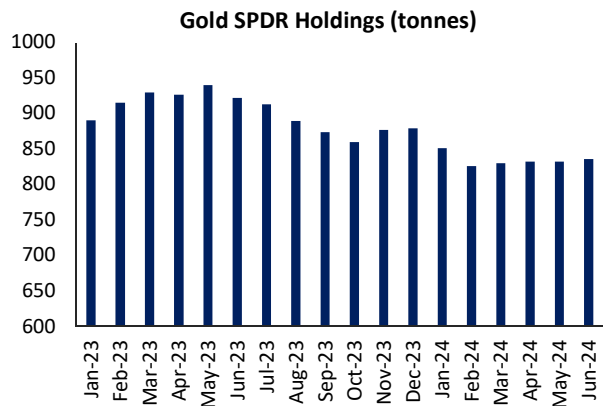
In this month, investment in gold witnessed an inflow of ~2 ton, holdings currently stand at ~847. Similarly, ishares ETF reported an inflow of ~88tonnes, holdings currently stand at ~14476 tonnes.

Outlook

The upcoming week will be crucial for bullion market as there are few important events scheduled in the docket. August FOMC Meeting Minutes will be important to keep an eye on as it is expected to provide insights into the Fed's policy considerations and outlook. On more highlight, this week will be the Jackson Hole Symposium, comments of Governors of major central bankers will be important to keep an eye on; this symposium will be closely watched for indications on future monetary policy and its implications for gold. Preliminary Manufacturing and Services PMI from major economies will be important to keep an eye on. Updates regarding Geo-political tensions, and fed officials comments could also trigger volatility.



Source: Reuters



Source: Reuters



Technical Outlook: -

Gold:

Gold gain by over 2.12% in the last week, translating to a gain of 1,480 rupees. The gold is currently trading within a parallel channel, approaching the upper resistance zone, which is situated between the ₹72,450 and ₹73,600 levels. Immediate support is found between the ₹70,700 and ₹70,100 levels. Notably, gold has retraced exactly to the 61.8% Fibonacci level, often referred to as the "Golden Ratio," from the previous rally. The RSI is currently above the mid-level at 60, indicating further strength in the counter. a buy-on-dip strategy is recommended.



Silver:

Silver has surged by more than 3.31% in the last week, which is 2,670 rupees. The silver is currently trading within a symmetrical triangle pattern, and also form tweezer bottom formation close to support zone. Immediate support is placed at t 82,200 and 80,600 levels, whereas resistance is placed at 84,800 and 87,000 levels. The RSI is currently trading above mid-level, indicating further strength in the counter. The technical setup suggests a buy-on-dip strategy





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