



Precious Metals Weekly

Monday, August 26, 2024

Overview

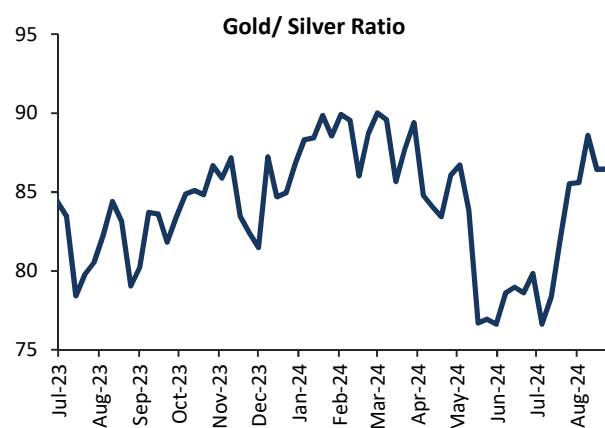
Gold has ended previous week on a high note, trading firmly above the \$2,500 marking record highs. In addition to gold, silver has also seen significant gains, trading above \$29. The silver market is currently outperforming gold, with the gold-silver ratio falling to a one-month low of 84 points. Silver's performance is supported by its dual role as both a monetary and industrial metal. This rally in bullion is underpinned by Federal Reserve's anticipated shift in monetary policy, with expectations that interest rates could soon decrease.

Last week along with FOMC meeting minutes we also had the Jackson Hole symposium and in both these events Governor Powell spoke. Commentary in both events were largely similar however, in symposium he did raise hopes of the market mentioning that time for rate cuts have come. Recent statements from the Federal Reserve have increased the probability for a Fed rate cut in the next meeting i.e. September. Governor Powell in his comments confirmed that interest rates are set to decrease in September. The minutes from the July monetary policy meeting revealed that some committee members considered the possibility of a rate cut as early as last month. The minutes noted - "All participants supported maintaining the target range for the federal funds rate at 5-1/4 to 5-1/2 %. However, several officials observed that recent progress on inflation and increase in the unemployment rate had provided a plausible case for reducing the target range by 25bps at the previous meeting.

At the Jackson Hole Symposium, Governor Powell signaled he is ready to cut US interest rates in September, as he warned that downside risks to the labor market. He mentioned that the direction of travel is clear, and the timing and pace of rate cuts will depend on

Exchange Contract	Gold Spot	COMEX	MCX
Open	2482	2487	71474
Close	2512	2508	71777
Change	30	10	402
% Change	0.19%	0.39%	0.56%
Pivot	2504	2501	71673
Resistance	2527	2515	72044
Support	2489	2494	71406

Silver- Weekly Market Data			
Exchange	Silver	COMEX	MCX
Open	29.00	29.00	84567
Close	29.82	29.82	85211
Change	0.82	0.82	1998
% Change	2.79%	3.37%	2.40%
Pivot	29.54	29.56	84821
Resistance	30.16	30.18	85735
Support	29.20	29.21	84298



Source: Reuters



incoming data the evolving outlook and balance of risks. Dollar index fell to a 52-week low, below 100.60, from a recent high of 104; similarly, US 10 and 2- year treasury Yield fell significantly anticipating a rate cut. Governor Powell believes that inflation is on its way to their target of 2% while, he also mentioned that Fed does not welcome further cooling in labour market conditions. Prior to these comments, markets had already priced in a rate cut for September, with speculation even suggesting a potential 50-basis-point reduction. Base on CME Fed-Watch Tool analysis bets for a 2bps rate cut in September is at a 36.5% chance of a 50-basis-point cut next month.

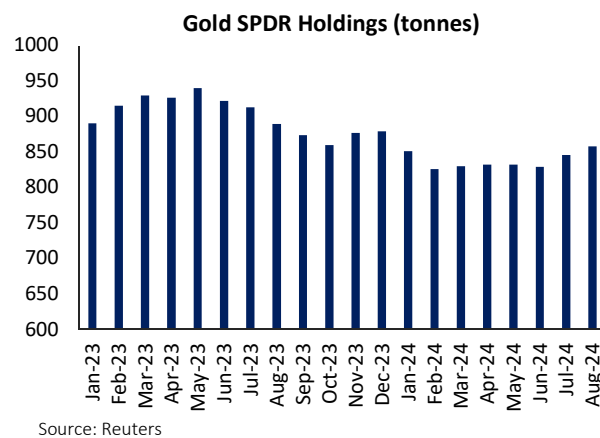
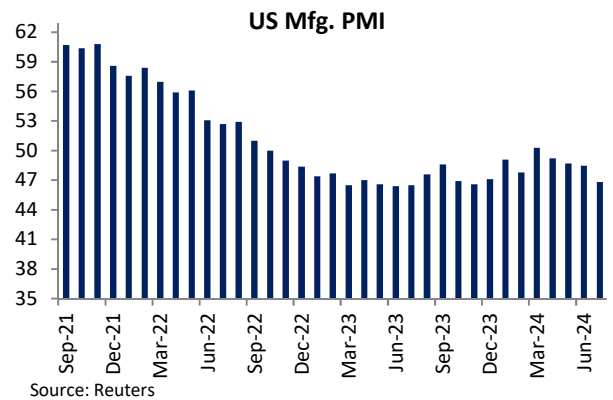
Several economic indicators released this week have also influenced market sentiment. In the U.S., the manufacturing PMI came in below expectations, falling below 50, while the services PMI exceeded forecasts, leading to some profit booking. Additionally, housing market data was less supportive, further complicating the economic landscape. In China, the decision to keep the loan prime rate unchanged reflects a cautious stance amidst global economic uncertainties. This, combined with mixed signals from U.S. economic indicators, contributes to the ongoing volatility in precious metal markets.

Over the weekend, Israel launched a series of air strikes on southern Lebanon early over the weekend; targeting Hezbollah in response to what it claimed was an imminent attack. This clash is the most significant since the 2006 conflict and marks a major escalation amid ongoing tensions related to the Israel-Hamas war in Gaza. Hezbollah leader Hassan Nasrallah indicated that the immediate confrontation was over, though he reserved the right to retaliate if necessary.

In this month, investment in gold witnessed an inflow of ~3 ton, holdings currently stand at ~835. Similarly, ishares ETF reported an inflow of ~101 tonnes, holdings currently stand at ~14490 tonnes.

Outlook

Economic calendar this week have quite a few important data points in the docket. Focus this week will be on US GDP, Consumer confidence, durables goods orders data and PCE price index. After the Fed meeting minutes and Jackson Hole symposium, comments from Fed officials will be watched actively this week as well. Fall in Dollar Index and US Yields could continue to support Gold and Silver prices. Market participants have priced in a sharp rate cuts from the Fed, any changes in these expectations could lead to a volatility in prices. Updates regarding Geopolitical tensions could also trigger volatility in prices. Buy on dips stance could be maintained for both Gold and silver.





Technical Outlook: -

Gold:

In the previous week, gold was up by more than 400 rupees or approximately 0.56%, marking the second consecutive week of positive closing for the metal. This upward momentum indicates growing bullish sentiment. The daily chart of MCX Gold shows that prices have rebounded from the recent low and likely to break above key resistance levels at 72300. The support levels S1 at 71,300 and S2 at 70,700 may provide cushion in case of any pullback. Additionally, the ascending trendline from early May and the recent bullish candle formations further bolster the case for continued strength in gold prices. The price is currently hovering around the 21-day moving average, signaling a potential shift in trend direction. Traders should watch for a sustained close above R1 level to confirm the continuation of the bullish trend, with further resistance levels at R2 72,900 and R3 73,600 offering potential upside targets.



Silver:

In the previous week, silver prices surged by around 2,000 rupees, representing a gain of approximately 2.4%. This marked the second consecutive week of positive closing, reinforcing the bullish sentiment. The upward movement reflects strong demand zone. However, for the continuation of this bullish trend, a break above the R1 resistance (Rs. 86400) level is crucial. Such a break would likely pave the way for further upside potential, allowing silver to target higher resistance levels at Rs. 87400 and 88600. The price action in the coming days will be critical in determining whether the bullish momentum can be sustained, with traders closely monitoring any potential breakthroughs to confirm the trend's strength.





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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