Monday, September 16, 2024

Overview

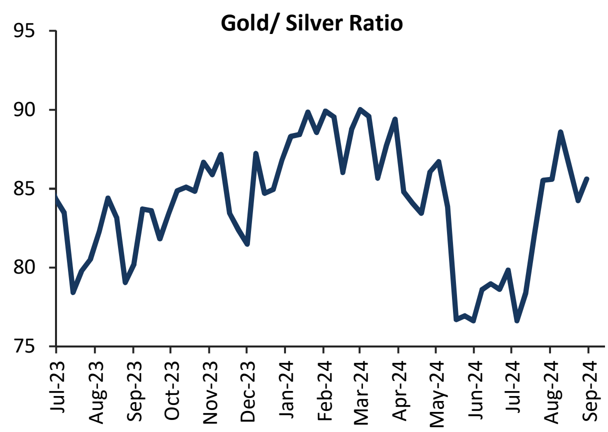
Last week, we witnessed a historic surge in gold prices, with the yellow metal reaching an all-time high close to $2600 per ounce. Gold rose significantly by approximately $70, while silver increased by around $2.50. Year-to-date, gold and silver have posted gains of 25% and 30%, respectively, on COMEX. This rise underscores gold's response to evolving economic conditions and investor sentiment as anticipation builds around next week's Federal Open Market Committee (FOMC) meeting.

It is crucial to monitor the Dollar Index and U.S. yields, as they have shown significant fluctuations recently. Over the past 15 days, the Dollar Index has swung from recent highs of 102 to a low around 100.30, reflecting market volatility and shifting expectations. U.S. Treasury yields have also been notably affected, with the 10-year yield marking a 52-week low and the 2-year yield inching lower as well. These movements are largely driven by anticipation of a Federal Reserve rate cut and mixed economic data.

The impending FOMC meeting is a focal point for market participants, who are bracing for what is expected to be one of the most significant monetary policy decisions of the year. There is widespread consensus that the Federal Reserve is poised to implement its first interest rate cut since 2020. Federal Reserve Chairman Jerome Powell, in his speech at Jackson Hole on August 20, indicated the central bank's readiness to ease monetary policy, a sentiment echoed by other Fed officials. Chicago Fed President Austan Goolsbee has emphasized the need for a more accommodative policy in light of long-term labor market and inflation trends, arguing against prolonged tightening that could harm employment.

Exchange	Gold	COMEX	MCX
Contract	Spot		
Open	2556	2569	73128
Close	2576	2581	73515
Change	20	88	2089
% Change	3.18%	3.52%	2.92%
Pivot	2573	2576	73403
Resistance	2590	2587	73725
Support	2560	2570	73193

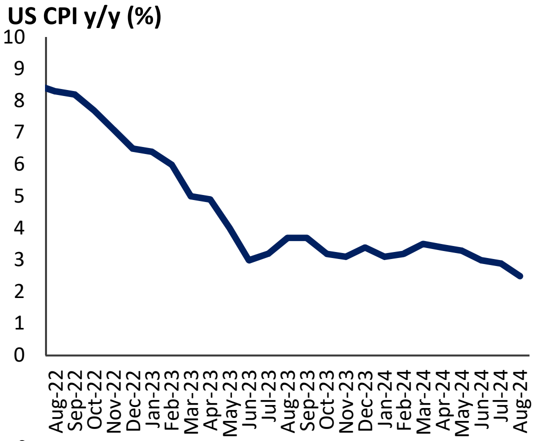
Silver- Weekly Market Data			
Exchange	Silver	COMEX	MCX
Open	29.90	29.98	87606
Close	30.66	30.70	89180
Change	0.76	0.72	6423
% Change	9.80%	10.40%	7.76%
Pivot	30.47	30.48	88786
Resistance	31.11	30.99	90219
Support	30.02	30.20	87746



Source: Reuters

Former Fed Vice-Chair Donald Kohn has highlighted the central bank's ability to adjust policy swiftly if inflation re-emerges, reminiscent of its aggressive stance in 2022. Current Fed Governor Christopher Waller and New York Fed President John Williams have also signaled flexibility, depending on incoming economic data.

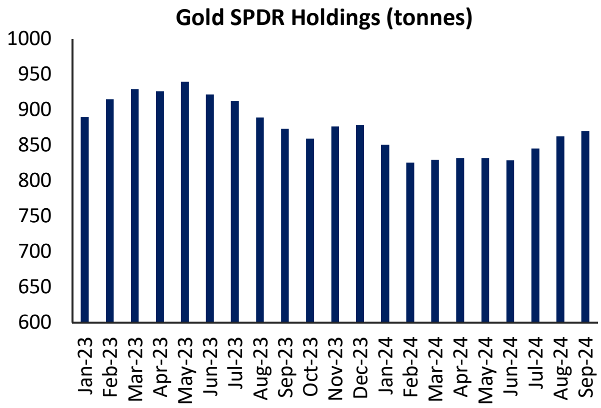
Amidst these developments, economic data has presented a mixed picture. The August CPI rose by 2.5%, slightly below the anticipated 2.6% and down from July's 2.9% increase. Core inflation, which excludes volatile items like energy and food, edged up to 3.2% from 3.1% in July. Similarly, the U.S. PPI showed a slight year-over-year increase, but Core PPI was significantly higher compared to the previous month. These figures suggest a nuanced economic landscape where the call for aggressive rate cuts might not be as straightforward, despite market expectations.



Source:

Globally, monetary policy landscape has been shifting significantly, with several central banks, including the European Central Bank (ECB), Bank of England (BoE), Bank of Canada (BoC), and Swiss National Bank (SNB), already engaged in easing cycles. The ECB, in its last meeting, cut rates for the second time this year, contributing to a decline in global real yields and supporting gold's recent rally. Gold has hit record highs against currencies such as the British pound, Canadian dollar, and Australian dollar, highlighting the global impact of the easing trend.

This month, investment in gold witnessed an inflow of approximately 8 tons, bringing total holdings to around 870 tons. Similarly, iShares ETF reported an inflow of about 82 tonnes, with total holdings now at approximately 14,575 tonnes.



Source: Reuters

<u>Outlook</u>

Looking ahead, the focus will remain on the FOMC's decision this week and the potential for further economic data to influence market sentiment. It will be important to see whether the Fed announces a 25 basis point or a 50 basis point cut, if an interest rate cut is indeed announced. Comments from Chairman Powell will also be crucial to understanding the Fed's stance on inflation, growth, and the overall monetary policy path. Market participants will also keep an eye on U.S. retail sales, industrial production, and other key economic data points. Further declines in the Dollar Index and U.S. yields could support an uptrend in precious metals. Outcome of this FOMC meeting and subsequent economic indicators will likely shape market dynamics and investment strategies in weeks to come. We maintain a buy-on-dips strategy for both gold and silver prices.

Technical Outlook: -

Gold:

In the previous week, MCX Gold experienced a strong upward movement, gaining 2,089 rupees or approximately 2.92%. This rally brought the price above the critical 21 EMA level, signaling a shift towards bullish sentiment. The daily chart displays an entry again in the rising channel after the breakdown, which often indicates potential upward momentum. The price has decisively closed above its 21 and 50 Exponential Moving Average (EMA), with a potential challenge at R1 74,000 in the near term. Continued bullish momentum may drive prices towards R2 and R3, while any correction could see support near S1 and S2 levels. The upward trend appears intact, with bullish traders likely eyeing the higher resistance zones as possible targets.

Silver:

MCX Silver surged by over ₹6,400 last week, reflecting an impressive gain of approximately 7.76%, indicating a robust upward momentum. The bias remains positive as the price successfully broke above key resistance levels. With current price action and technical patterns suggesting further bullish potential, buying on dips near key support levels is recommended. Immediate support is seen around ₹87,600, with deeper supports at ₹86,200, which could serve as attractive entry points for long positions. The next target on the upside is around ₹93,000, aligning with resistance levels. Traders should monitor for a sustained breakout above current levels for further confirmation of the uptrend.

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:

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL),NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Ltd. are available on the website at http://onlinereports.motilaloswal.com/Dormant/documents/Associate%20Details.pdf

Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx

Terms & Conditions:

1. This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions.
2. This material is for the personal information of the authorized recipient and we are not soliciting any action based upon it.
3. This report is not to be construed as an offer to sell or solicitation of an offer to buy any commodity or commodity derivative to any person in any jurisdiction where such an offer or solicitation would be illegal.
4. It is for the general information of clients of MOFSL. It doesn't constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients.
5. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL.
6. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate.
7. All such information and opinions are subject to change without notice.
8. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.
9. We have reviewed the report, and in so far as it includes current or historical information, it is believed to be reliable though its accuracy or completeness cannot be guaranteed.
10. Neither MOFSL, nor any person connected with it, accepts any liability arising from the use of this document.
11. The recipients of this material should rely on their own investigations and take their own professional advice. Price and value of the commodity referred to in this material may go up or down. Past performance is not a guide for future performance.
12. Certain transactions including those involving commodity derivatives involve substantial risk and are not suitable for all investors.
13. Reports based on technical analysis centers on studying charts of a commodity's price movement and trading volume as opposed to focusing on a commodity's fundamentals and as such may not match with a report on a commodity's fundamentals.
14. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to subject commodity for which Research Team have expressed their views.
15. MOFSL or its associates or Research Analyst or his relatives may have Open Position in subject commodity.
16. A graph of daily closing prices of commodities is available at http://www.moneyline.co.in/
17. Opinions expressed are our current opinions as of the date appearing on this material only. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.
18. The commodities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient.
19. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment.
20. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the commodities mentioned in this document.
21. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein.
22. The commodities described herein may or may not be eligible for trade in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.
23. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors.
24. MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may (a) from time to time, have long or short positions in, and buy or sell the commodities mentioned herein or (b) be engaged in any other transaction involving such commodities and earn brokerage or other compensation or act as a market maker in the commodity/ (ies) discussed herein or have other potential conflict of interest with respect to any recommendation and related information and opinions. However the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the commodities mentioned in the research report.
25. MOFSL and it's associates and Research Analyst have not received any compensation or other benefits in connection with the research report. Compensation of Research Analysts is not based on any brokerage transactions generated by broking activities under Motilal Oswal group.

This report is meant for the clients of Motilal Oswal only.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263; www.motilaloswal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

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

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN .: 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.