



Monday, September 23, 2024

Overview

All time for Gold on COMEX!!! Last week marked a significant turning point for gold and silver markets, propelled by the Federal Reserve’s Open Market Committee (FOMC) decision to cut interest rates by an unprecedented 50bps. This marks the first reduction in overnight rates since 2020, initiating a new cycle of monetary easing that has injected both uncertainty and opportunity into the markets. The announcement had a profound impact on the gold market; however, prices surprisingly demonstrated some resilience and momentum post the announcement.

After Fed cut rates, Governor Powell in his comments mentioned that rates were not on a “pre-set” path, noting that if inflation proved sticky the Fed could “dial back policy restraint more slowly”. Equally, the central bank was “prepared to respond” if the labour market weakened unexpectedly, he added. While the Fed approved the rate cut, it left in place a program in which it is slowly reducing the size of its bond holdings. The process, aka. "Quantitative tightening," has brought the Fed's balance sheet down to \$7.2 trillion, a reduction of about \$1.7 trillion from its peak. The Fed is allowing up to \$50 billion a month in maturing Treasury’s and mortgage-backed securities to roll off each month, down from the initial \$95 billion when QT started.

In the latest “dot plot” of officials’ forecasts, most expected the policy rate would fall to 4.25 per cent to 4.5 per cent by the end of 2024, suggesting another large half-point reduction at either of the two remaining meetings this year or two quarter-point reductions. Overall, that is a significantly larger reduction than the quarter-point cut projected by most officials in June, when the dot plot was last updated. FOMC officials raised their expected unemployment rate

Exchange Contract	Gold Spot	COMEX	MCX
Open	2587	2590	73619
Close	2622	2620	74040
Change	35	39	525
% Change	1.76%	1.50%	0.71%
Pivot	2611	2611	73892
Resistance	2637	2631	74328
Support	2596	2600	73605

Silver- Weekly Market Data			
Exchange	Silver	COMEX	MCX
Open	30.77	31.07	89992
Close	31.11	31.18	90135
Change	0.34	0.11	955
% Change	1.48%	1.55%	1.07%
Pivot	31.08	31.15	90126
Resistance	31.46	31.23	90752
Support	30.74	31.09	89509



Source: Reuters



this year to 4.4%, from the 4% projection at the last update in June, and lowered the inflation outlook to 2.3% from 2.6% previous.

Dollar Index demonstrated resilience after an initial dip following the FOMC’s rate cut announcement. A better-than-expected US economic data report reversed the dollar’s fortunes, but yields on both the 10-year and 2-year US Treasuries remain near 52-week lows, suggesting ongoing investor caution regarding the economic outlook.

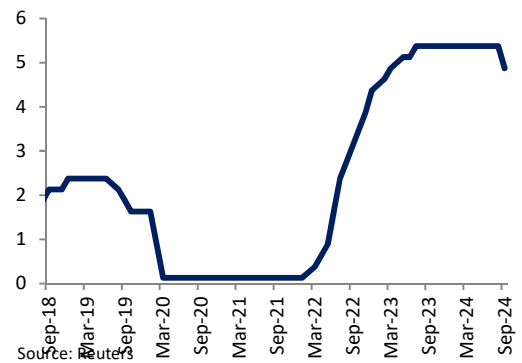
Adding to the complexity of the trading environment, geopolitical tensions have surged, particularly following Israel’s recent airstrikes that reportedly killed senior Hezbollah commanders. This escalation has heightened demand for safe-haven assets like gold, further reinforcing its position in investor portfolios amid global uncertainties. Death of Hezbollah’s special operations commander along with 10 member of the senior chain in command is arguably the most damaging blow Israel has struck against Hezbollah.

This month, investment in gold witnessed an inflow of ~13 tons, bringing total holdings to around 875 tons. Similarly, iShares ETF reported an outflow of ~255 tonnes, with total holdings now at ~14,239 tonnes.

Outlook

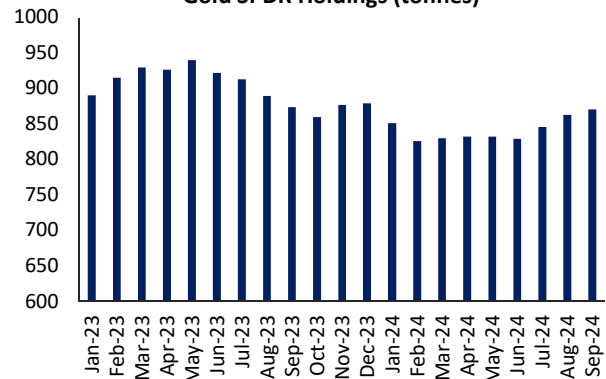
With gold prices establishing new highs, all eyes will be on upcoming economic data and FOMC communications to assess the sustainability of this upward momentum. The interplay between monetary policy, economic indicators, and geopolitical developments will undoubtedly shape trading strategies in the weeks ahead. Focus this week will be on US GDP, Consumer Confidence and PCE price index data. Comments from Fed officials will be watched actively this week as well. Firm Dollar index could continue to cap gains for Gold and Silver on higher side. Further escalation in Geo-political tensions in Middle East could further support safe haven appeal for bullions. Both the metals could trade with a sideways to higher bias.

Fed's Target Rate (%)



Source: Reuters

Gold SPDR Holdings (tonnes)



Source: Reuters



Technical Outlook: -

Gold:

In the previous week, MCX Gold experienced a strong upward movement, gaining 525 rupees or approximately 0.70%. Overall, gold continues to trade with positive bias. Currently, the price is trading near a crucial resistance zone between ₹74,400 and ₹74,600 levels. 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 60 level, reinforcing the bullish sentiment. A "buy on dips" approach is advisable, particularly near critical support levels, to capitalize on the ongoing bullish trend. Immediate support is observed at ₹73,500, while the next significant support level is at ₹72,600. On the upside, resistance is expected at ₹74,600, with the next key level at ₹75,500.



Silver:

Silver prices have experienced a notable surge in the previous week, advancing by approximately ₹955, translating to a 1.05% gain, marking the second consecutive week of positive momentum. Currently, prices are hovering near a critical downward sloping trend line at the ₹90,800 level. Technically, the Ichimoku cloud analysis reveals that silver is trading above both the conversion and base lines, signaling a medium-term bullish outlook. The 14-day Relative Strength Index (RSI) remains above 50, further strengthening the case for continued upward momentum. Key support levels are identified at ₹87,600, with more substantial support at ₹86,300, both of which could present attractive opportunities for traders looking to enter long positions. On the upside, the immediate target is pegged at ₹91,000, followed by the next resistance zone around ₹92,800.





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