



Monday, October 14, 2024

Overview

Gold and silver price witnessed a notable uptick following release of a tame U.S. inflation report, reflecting investor sentiment amidst fluctuating economic indicators. Bullion market were also impacted by firm Dollar index, Geo-political updates, lack of focus from China’s briefing, and change in Fed’s rate cut expectations. On the currency front, the U.S. dollar index remains firm, hovering around 103, this strength is capping some gains for precious metals.

On data front, U.S. headline Consumer Price Index (CPI) decreased by 0.1%, landing at 2.4% from the previous month. Meanwhile, Core CPI, which excludes volatile food and energy prices was reported slightly better than expectations. This inflation data presented a mixed picture just weeks before US Presidential election, but marked fall of annual headline rate for the sixth consecutive month and that is where the market focused. Similar trend was witnessed in PPI data wherein; the monthly producer’s price index was supportive for bullions. The University of Michigan's Consumer Sentiment survey recorded a fall to 68.9, representing the first decline in three months. This dip in consumer confidence highlights potential challenges ahead for economic growth, as consumer sentiment is a critical driver of spending and investment.

This combination of metrics reinforces the prevailing view that the Federal Reserve may consider implementing two quarter-point interest rate cuts later this year. Such moves would aim to stimulate economic growth in a period where inflation rates have been relatively stable. Post US CPI, CME Fed watch-tool showed that rate cut expectations for 25 bps in November meeting rose from 68% to 90% in a week.

Exchange Contract	Gold Spot	COMEX	MCX
Open	2631	2638	75660
Close	2656	2658	76307
Change	25	12	164
% Change	0.14%	0.45%	0.22%
Pivot	2648	2651	76106
Resistance	2669	2664	76551
Support	2635	2645	75861

Silver- Weekly Market Data			
Exchange	Silver	COMEX	MCX
Open	31.14	31.54	90592
Close	31.53	31.52	91690
Change	0.39	-0.02	-1659
% Change	-2.00%	-1.89%	-1.78%
Pivot	31.40	31.53	91367
Resistance	31.76	31.53	92208
Support	31.17	31.52	90849



Source: Reuters



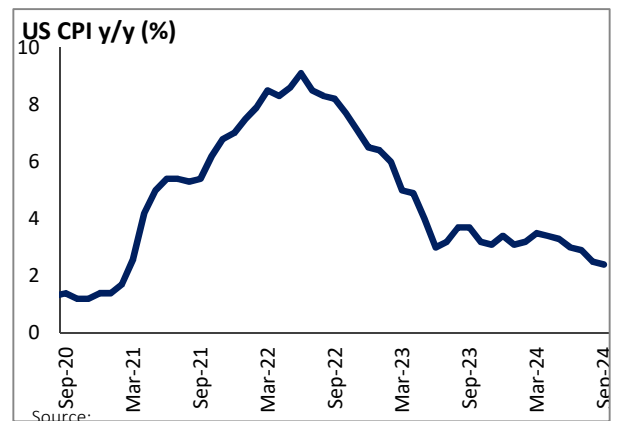
Meanwhile, international markets are witnessing turbulence, particularly in China. Following a significant rally, Chinese equity markets witnessed a sharp sell-off, reflecting investor concerns over the country’s economic outlook. Market participants had been hopeful for concrete measures from the Chinese government to support the economy. However, disappointment has set in, as China is yet to deliver on these promised initiatives, weighing on industrial metal including Silver.

Additionally, geopolitical tensions have taken centre stage, particularly concerning the relationship between China and Taiwan. These rising tensions have captured attention over the weekend, adding another layer of uncertainty to global markets. Meanwhile, updates regarding the ongoing situation between Israel and Iran remain sparse, leaving investors on edge as they await further developments.

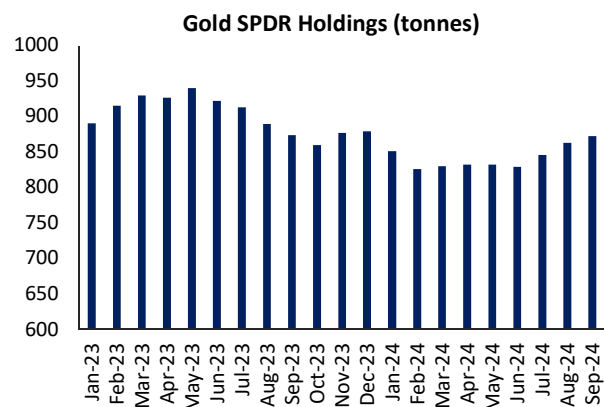
This month, investment in gold witnessed an inflow of ~4 tons, bringing total holdings to around 876 tons. Similarly, iShares ETF reported an inflow of ~27 tonnes, with total holdings now at ~14,620 tonnes.

Outlook

Looking ahead, the focus will shift to key economic indicators, including U.S. retail sales, industrial production (IIP), and housing market data. Comments from several Federal Reserve officials will also be closely monitored, as their insights could provide further guidance on the central bank’s monetary policy trajectory. Continued up-move in Dollar index and US Yield could cap some gains for metals on higher side. Investors will be keenly observing upcoming economic reports and geopolitical developments as they navigate this complex landscape. Buy on dips stance can be maintained for both Gold and Silver.



Source:



Source: Reuters



Technical Outlook: -

Gold:

In the previous week, MCX Gold experienced a recovery from the support levels and It formed a strong bullish candle with long lower shadow on weekly scale as buying is visible at lower zones, gaining 165 rupees or approximately 0.20%. Overall, gold continues to trade with positive bias. Currently, the price is hovering near a crucial resistance zone between ₹76,500 and ₹76,700 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 ₹75,400, while the next significant support level is at ₹74,500. On the upside, resistance is expected at ₹77,100, with the next key level at ₹78,000.



Silver:

In the past week, silver experienced a negative close, declining by approximately ₹1,659 or 1.78%, marking the first bearish close after four consecutive bullish candles. Despite this, silver has shown a strong recovery from lower levels, indicating buying interest. From a technical perspective, the Ichimoku cloud analysis suggests that silver is trading above the base line indicating a medium-term bullish outlook. The 14-day RSI remains above the 50 level, reinforcing the potential for continued upward momentum. Key support levels are seen at ₹89,700, with stronger support at ₹88,500, offering attractive entry points for traders seeking long positions. On the upside, the immediate target is set at ₹93,200, with the next resistance zone around ₹95,500.





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