



Monday, October 21, 2024

Overview

Sky is the limit for Gold and Silver - all the way up. Gold has surprised many by not only maintaining its upward momentum but also breaking through significant psychological barriers, reaching highs above \$2700. Last week's performance defied expectations that bullion normally trades steady amid a lack of concrete macroeconomic data and quieter headlines. Instead, gold demonstrated remarkable resilience, culminating in a record-breaking gain.

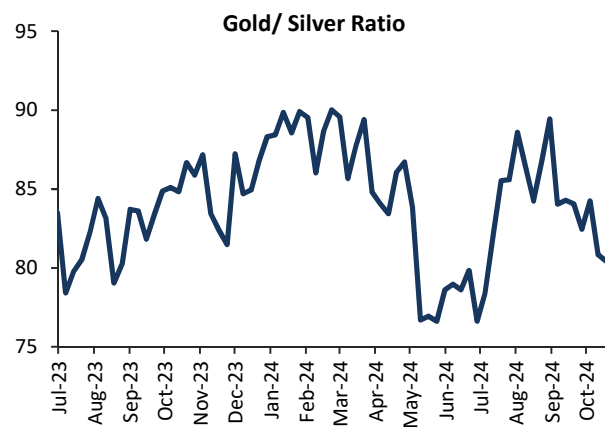
Despite the absence of clear signals from major economic indicators gold's rally, this week can be attributed to more nuanced shifts in market sentiment. Investors appear to be grappling with a blend of uncertainties regarding both the U.S. economic outlook and global geopolitical tensions. This duality of concern—uncertainty about riskier assets and the looming U.S. election—has pushed gold to the forefront as a preferred safe haven. As the economic landscape remains precarious, many market participants are increasingly drawn to the historical stability that gold represents.

U.S. Federal Election, which is weeks away, has injected a palpable sense of unpredictability into the markets. It is not merely the candidates or political parties at play; rather, it's the broader implications of an uncertain electoral outcome that has investors on edge. With just weeks to go before the polls, lack of clarity surrounding potential results raises concerns about possible market instability. This atmosphere of ambiguity is not only pushing Gold but also Dollar index as a safe haven.

Bullion price rally was unaffected by strong U.S. retail sales and labour market data, as expectations grew that U.S. interest rates will decline at a slower pace in the coming months. U.S. retail sales came

Exchange Contract	Gold Spot	COMEX	MCX
Open	2692	2720	77294
Close	2720	2714	77749
Change	28	56	1442
% Change	2.42%	2.11%	1.89%
Pivot	2711	2718	77627
Resistance	2732	2716	77961
Support	2700	2716	77416

Silver- Weekly Market Data			
Exchange	Silver	COMEX	MCX
Open	31.67	33.68	91995
Close	33.66	33.03	95402
Change	1.98	-0.65	3712
% Change	6.75%	4.80%	4.05%
Pivot	33.01	33.46	94306
Resistance	34.40	33.25	96617
Support	32.27	33.25	93091



Source: Reuters



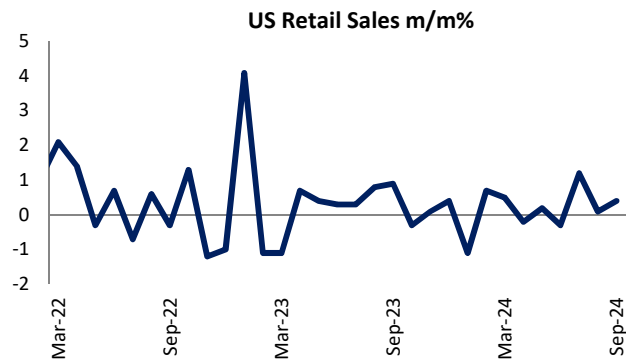
in at 0.4%, compared to 0.1% in the previous month, while jobless claims also fell from the previous week, supporting an upward move in the dollar index. Meanwhile, a 25bps rate cut by the ECB signalled that major global central banks remain on course to lower rates further, with a low-interest-rate environment likely to support gold and other non-yielding assets. Despite the strong U.S. data, expectations for a 25bps rate cut at the November Federal Reserve meeting remain close to 90%. The European Central Bank reduced rates for the third time this year, lowering deposit rate to 3.25% while stating that the disinflationary process is progressing well.

Hostilities between Hamas and Hezbollah in Gaza and Lebanon have dashed hopes that the death of a Palestinian militant leader might bring a quicker resolution to the escalating conflict in the Middle East. Meanwhile, stimulus measures and rate cuts from China bolstered sentiment in industrial metals, including silver, which hit a 52-week high on the Comex last week.

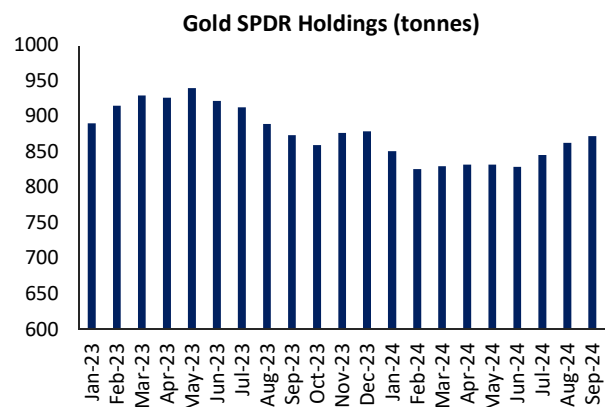
In this month, investment in gold witnessed an inflow of ~16 ton, holdings currently stand at ~888. Similarly, ishares ETF reported an inflow of ~173 tonnes, holdings currently stand at ~14766 tonnes.

Outlook

Looking ahead, focus will shift to key economic indicators, including Preliminary Manufacturing and Services PMI data from major economies and US durables goods orders 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. Focus this week will also be on the IMF meetings, which could provide us insight regarding world growth forecast for this year and the next. Continued pressure on 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: Reuters



Source: Reuters



Technical Outlook: -

Gold:

In the previous week, MCX Gold surged by Rs. 1,400 or 1.90%, closing on a strong positive note. The chart indicates a breakout from a broadening triangle pattern, confirming bullish momentum. The 21 EMA is trending upwards, further supporting the positive outlook. The current support levels are seen at Rs. 76,700 (S1) and Rs. 74,600 (S2). The upside target for this week is projected at Rs. 79,200 (R1) and an extended target of Rs. 80,000. Buying opportunities near Rs. 77,000, close to support, are advised as the market continues its upward momentum.



Silver:

In the previous week, MCX Silver closed on a positive note by 3,700 rupees or 4.05%. The chart displays an inverse head and shoulders pattern, which is a bullish reversal signal, indicating further potential upward movement. Silver has broken through the neckline of this pattern, suggesting a continued upward trend. The immediate support levels are seen around Rs.96,000 (S1) and Rs.94,000 (S2), The target for this week is set at Rs.100,000 (R1), with an extended target of Rs.103,000. A buying opportunity near the neckline support around Rs.96,000 is recommended, aligning with the bullish sentiment confirmed by the inverse head and shoulders breakout.





Navneet Damani	Head Research- Currency and Commodities	navneet.damani@motilalosal.com
Manav Modi	Analyst- Precious Metals	manav.modi@motilalosal.com

For any details contact:

Commodities Advisory Desk - +91 22 3958 3600

commoditiesresearch@motilalosal.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@motilalosal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilalosal.com
Mr. Ajay Menon	022 40548083	am@motilalosal.com

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