

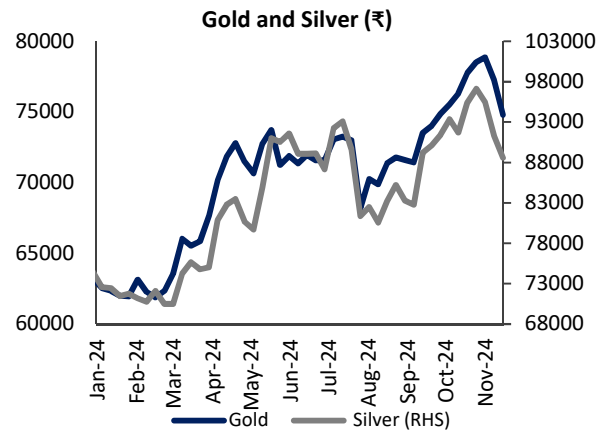
# COMMODITIES INSIGHT



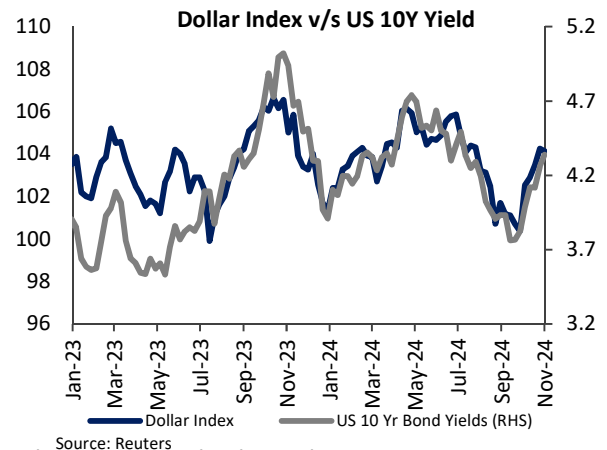
## Bullions: Possible Resurrection?

12<sup>th</sup> November 2024

The performance of gold and silver through the year 2024 has been marked by significant volatility, with both metals experiencing sharp price movements over the past few months. As of October, gold and silver had posted impressive gains of ~35% and ~45%, respectively, on a year-to-date (YTD) basis. However, in just first ten days of November, these gains have been sharply reduced, with gold now showing a ~25% increase and silver a 27% increase on YTD basis. A series of key events—including the US Presidential Election, the Federal Reserve's policy decisions, and China's legislative congress meet — have had a significant impact on market dynamics and investor sentiment, leading to the recent decline in bullion prices.



Several events have contributed to the dramatic changes in gold and silver prices. First and foremost, the US Presidential Election has injected a sense of uncertainty into financial markets. In a particular, proposal made by the President-elect Donald Trump, regarding tax cuts, ~60% tariffs on China, actions against non-documented immigrants and other economic measures have influenced the strength of the US Dollar. As a result, US Dollar Index has risen by more than 100bps in just a week, weighing on bullions. The rise in Dollar, combined with expectations of aggressive fiscal policies from administration, has dampened investor enthusiasm for gold and silver, contributing to the recent price declines.

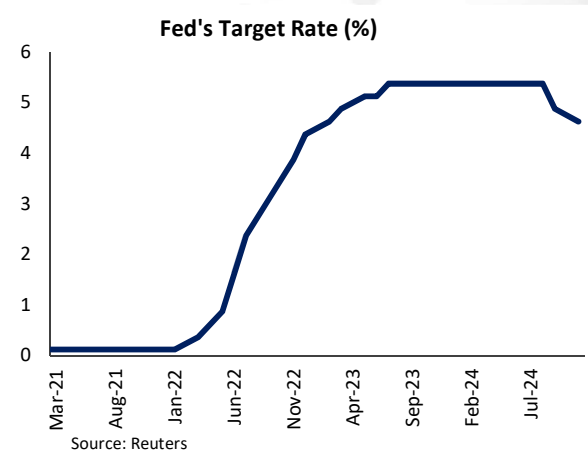


Additionally, Federal Reserve's monetary policy decisions have played a critical role in shaping investor sentiment toward gold. In November meeting, Fed opted to cut interest rates by 25bps, however, remarks made by Governor Powell were mixed, offering no clear direction on the future course of monetary policy. Fed Chair Powell acknowledged that inflation remains elevated and that the labor market is still strong, but he did not provide definitive guidance on the pace of further rate cuts. Lack of clarity from the Fed, combined with concerns about inflation and employment.

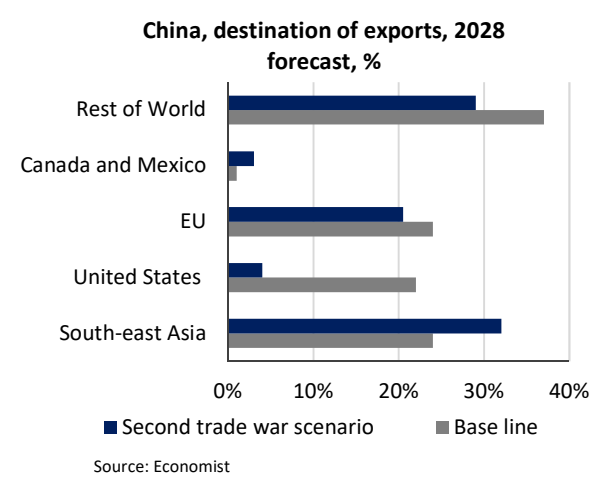
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Governor Powell mentioned that US central bank would continue to be data dependent, keeping market participants on edge. In addition, Powell's comments about the potential influence of presidential administration on the Fed's decision-making have added another layer of uncertainty. If President Trump continues to pressure the Fed for more aggressive rate cuts, this could have a significant effect on gold prices, as lower interest rates tend to make gold more attractive by reducing the opportunity cost of holding the metal.



In global context, China's recent meeting also had an impact on market dynamics. There were expectations that the Chinese government would announce new stimulus measures aimed at supporting economic growth. However, the announcements were not as market-friendly as anticipated. Instead of a comprehensive stimulus package, the Chinese government focused on debt management tools, such as increasing the debt ceiling for local governments and other measures aimed at stabilizing the country's financial system. This approach to economic management has failed to provide the immediate stimulus that many market participants were hoping for, weighing on industrial metals including Silver.



**Outlook:**

In conclusion, while gold and silver have experienced strong performance until now in 2024, recent developments have created some temporary hurdles. A combination of US election-related policies, mixed signals from the Federal Reserve, and China's approach that is more cautious to economic stimulus have created an environment of uncertainty, dampening investor sentiment. Looking ahead, a number of factors—particularly the US administration's economic policies, the Fed's monetary stance, and broader geopolitical risks—will play a crucial role in determining the future direction of gold and silver prices.

As per our last quarterly report, we mentioned that Gold could witness 5-7% correction before the next leg of rally, and the correction is underway. Amidst the factors mentioned, it is possible that Gold could consolidate in a broad range for a few weeks to months before it set its pace for targets towards Rs. 81,000 and Rs. 86,000 from a 1-year and 2-year perspective.

We could see sharp volatility in white metal amidst sell off in industrial metals, where Silver could find a strong base around Rs. 86,000-86,500. Accumulation on dip is recommended for a medium term perspective where we once again see silver scaling to life time highs and beyond towards target of Rs. 125,000 from a 12-15-month perspective.

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