



**Monday, November 18, 2024**

**Overview**

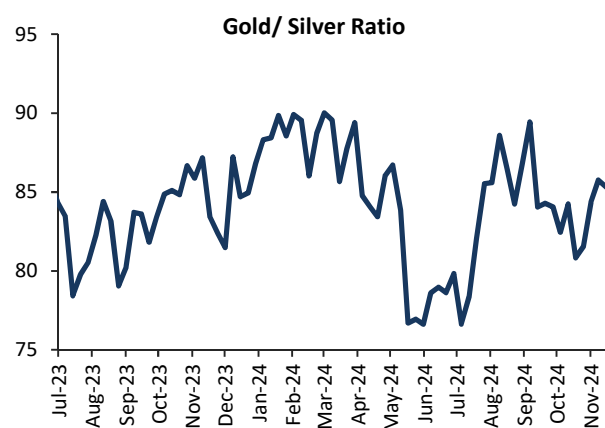
Gold prices experienced a significant downturn last week, sinking past key support levels and hitting two-month lows. The yellow metal, which had seen a rally leading up to the US elections, found itself under increasing pressure after the event, with prices plunging from an all-time highs to below \$2600. Gold’s recent performance has been closely tied to a several macroeconomic factors, many of which reversed course this week. Bullion had previously benefitted from factors such as interest rate cut expectations, geo-political tensions, steady dollar index however, some of these factors witnessed some change in sentiment creating headwind for gold and leading to the current price retracement.

One of the most notable event last week that further influenced gold's performance was the release of the October Consumer Price Index (CPI) report. The core CPI, which strips out volatile food and energy prices, showed an annual increase of 3.3%, in-line with expectations. Overall CPI data, including other important measures, indicated that inflation was largely stable. However, headline CPI was reported 0.2% better than the expectations at 2.6% raising questions regarding interest rate cut ahead. Markets now see ~65% probability of a 25bps rate cut in Dec Fed meeting, down from ~85% at start of this month.

Governor Powell in the Nov fed meeting mentioned that inflation remains slightly elevated; hence, their decisions regarding interest rate change will be data dependent. In addition, in near term the election or the change in leadership in the US will have no effect on Fed’s policy decisions. Even though, Fed official Neel Kashkari in his recent comments mentioned that inflation is headed in right direction, market participants are worried regarding possible tariff

Exchange Contract	Gold Spot	COMEX	MCX
<b>Open</b>	2566	2570	74179
<b>Close</b>	2561	2570	73946
<b>Change</b>	-5	-125	-3326
<b>% Change</b>	-4.57%	-4.63%	-4.30%
<b>Pivot</b>	2564	2570	74040
<b>Resistance</b>	2573	2581	74190
<b>Support</b>	2552	2559	73796

Silver- Weekly Market Data			
Exchange	Silver	COMEX	MCX
<b>Open</b>	30.45	30.53	89200
<b>Close</b>	30.21	30.43	88421
<b>Change</b>	-0.24	-0.10	-2848
<b>% Change</b>	-3.44%	-3.23%	-3.12%
<b>Pivot</b>	30.39	30.53	88799
<b>Resistance</b>	30.63	30.80	89288
<b>Support</b>	29.97	30.16	87932



Source: Reuters



implications, lower taxes and other proposals which President elect Trump has made. On data front, stronger-than-expected U.S. retail sales report also fell into the camp of Fed hawks. US retail sales for October was reported at up 0.4%, MoM, which is a bit better than expectations and follows a big revised rise of 0.8% in the September.

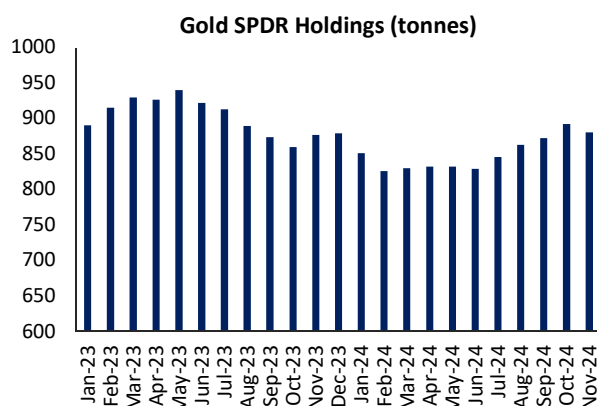
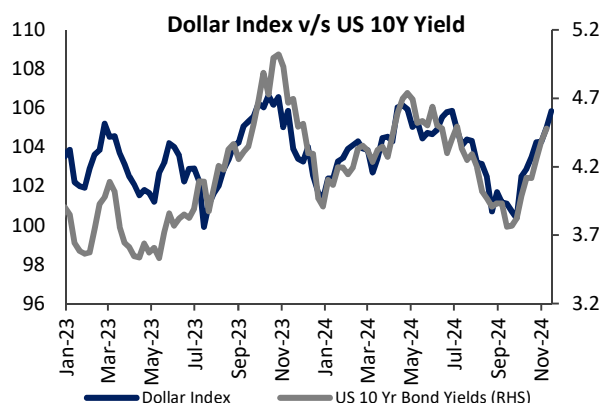
While the CPI report was a key factor, it was not the sole reason for the sharp decline in gold prices. Broader macroeconomic environment is also contributing to challenges. Riskier asset have continued to perform strongly following the US elections, and this rally has been accompanied by a robust rise in US dollar. In the previous week, Dollar index was up by 1.6%, reaching two-year highs, hovering ~106 mark. Even before the CPI report, rise in the US dollar had already pushed gold prices down.

Looking ahead, the relationship between the US dollar and gold prices will remain a key factor to watch. US dollar’s recent surge reflects resilience of the US economy relative to other global markets, and if this trend continues, it could put further pressure on gold. There is increasing speculation about a potential conflict between the Federal Reserve and incoming Presidential Administration, which has campaigned on promises of pushing for lower interest rates sooner rather than later. This tension could create volatility in the markets and introduce new dynamics for gold, depending on how the situation unfolds.

In this month, investment in gold witnessed an outflow of ~12 ton, holdings currently stand at ~867. Similarly, ishares ETF reported an outflow of ~175 tonnes, holdings currently stand at ~14675 tonnes.

**Outlook**

In conclusion, the significant drop in gold prices this week highlights the complex interplay between macroeconomic data, central bank policy, and broader market trends. While inflation remains a concern, it is the Federal Reserve’s approach to monetary policy—particularly its stance on interest rates—that is important to keep an eye on. Along with this, any updates regarding the Geo-political tensions with President elect trump in picture will also be important to watch. Continued up-move in Dollar index and US Yield could cap some gains for metals on higher side. Focus this week will also be on the Preliminary Manufacturing and Service PMI data from major economies. Both Gold and Silver could trade in a broad range.



Source: Reuters



**Technical Outlook: -**

**Gold:**

Gold prices saw a 4.22% decline last week, shedding ₹3,261, and are now trading within a zig-zag corrective pattern. The metal has approached a significant support zone between ₹73,500 and ₹72,400, which coincides with the 50% Fibonacci retracement level of the prior bullish wave. On the upside, key resistance levels are placed between ₹75,100 and ₹76,200. Following the recent peak of ₹79,775, a wave of profit-taking has driven prices lower. Now prices are trading near crucial level so break of either side range will the direction. Trading strategies should focus on breakout levels; a breach above ₹76,200 could signal bullish continuation, while a breakdown below ₹72,400 may trigger a further downside move. Consider positioning on the side of the confirmed breakout for optimal risk-reward opportunities.



**Silver:**

Silver prices fell 3.03% last week, declining by ₹2,765 and breaking down from a parallel channel, though currently holding above a critical horizontal support line. The metal has precisely tested the 0.618 Fibonacci retracement level, often referred to as the "golden ratio," signalling a technically significant area. Prices are now approaching a key support zone between ₹87,900 and ₹86,200, a region of interest for potential buying opportunities. Immediate resistance is observed between ₹90,500 and ₹92,000, which may cap any short-term recovery attempts. The RSI indicator, positioned below the neutral 50 mark at approximately 41, shows early signs of divergence, hinting at a potential reversal. A buy-on-dip strategy near the support zone is advisable, but a sustained break below ₹86,200 would invalidate this approach and open the door for further declines, targeting deeper support levels.





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