



Monday, November 25, 2024

Overview

Gold market staged a remarkable comeback last week, ending a three-week selloff with a notable rally. Prices breached above \$2,700, marking more than 5% gain since beginning of the week and a 1.39% increase compared to the previous week. This sharp recovery comes after a challenging period for gold, driven by stronger-than-expected economic data and speculations surrounding geopolitical risks. This rally represents gold's best performance since October 2023, suggesting the precious metal's resilience despite the ongoing global challenges.

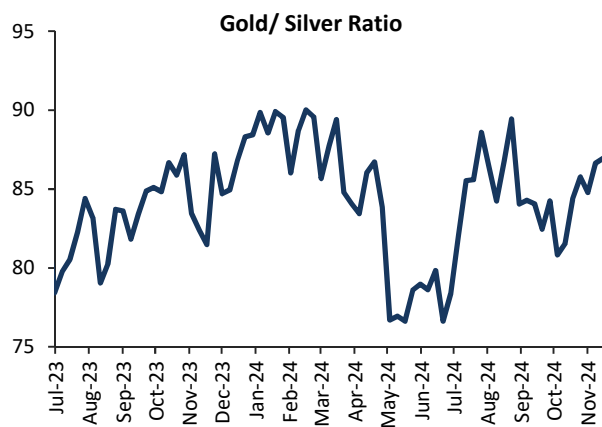
Several factors have contributed to gold's rebound. One of the key drivers has been renewed demand for safe-haven assets due to escalating geopolitical tensions, particularly the ongoing war in Ukraine. The United States recently granted Ukraine permission to use U.S.-made missiles to target Russian territories, intensifying the conflict. This development has spurred investors to seek the safety of gold, traditionally seen as a store of value during times of uncertainty.

It was interesting to see that Dollar index and Gold prices were moving in tandem. This move in the both was on the back of panic due to rising uncertainties between Russia and Ukraine, however market participants are waiting for further escalation in the same. This unusual correlation between traditionally risk-off and risk-on assets can be attributed to investors balancing concerns about geopolitical tensions with the optimism surrounding President-elect Donald Trump's potential to de-escalate the situation.

Current environment of heightened geopolitical risks and dovish Federal Reserve sentiment is painting a positive picture for gold.

Exchange Contract	Gold Spot	COMEX	MCX
Open	2670	2672	77120
Close	2713	2712	77616
Change	43	142	3670
% Change	5.91%	5.53%	4.96%
Pivot	2697	2700	77417
Resistance	2728	2730	77884
Support	2682	2682	77150

Silver- Weekly Market Data			
Exchange	Silver	COMEX	MCX
Open	30.78	30.86	90368
Close	31.31	31.34	90768
Change	0.53	0.48	2347
% Change	3.64%	2.98%	2.65%
Pivot	31.14	31.20	90547
Resistance	31.57	31.60	91434
Support	30.88	30.94	89881



Source: Reuters



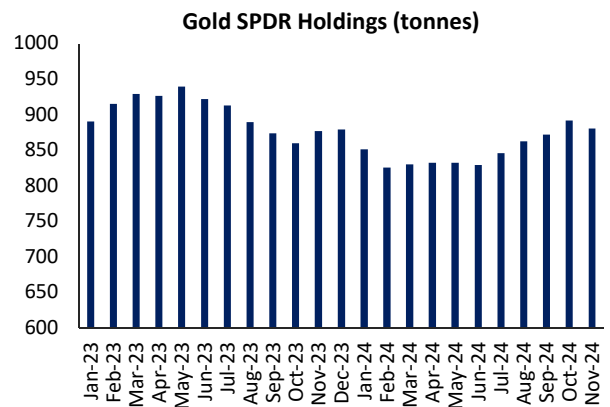
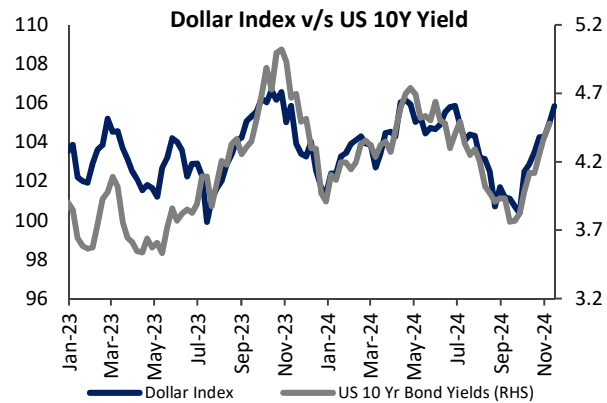
However, any sign of ease off in this escalation or interest rate cut expectations could weigh on prices. Market participants are cautiously awaiting decisions on the last Fed meeting of this year. At the start of this month, expectations of rate cut by 25bps was at ~80% however, that probability has fallen significantly to 55% weighing on prices. In the previous week, some Fed policymakers expressed concern that inflation progress may have stalled, advocating for caution, while others emphasized the need for continued rate cut

On data front, U.S. service sector showed strong performance in November, with the Purchasing Managers Index (PMI) for the sector rising to 57, up from 55 in October. This indicates that service sector activity is at its highest in nearly three years, a positive sign for the U.S. economy. However, the manufacturing sector continues to show signs of contraction, though at a slower pace than expected. The PMI for manufacturing rose slightly to 48.8, up from 48.5 in October, signalling that the sector may be stabilizing. US consumer sentiment was also reported better than expectations, showing optimism on the back of President-elect Trump.

In this month, investment in gold witnessed an outflow of ~13 ton, holdings currently stand at ~878. Similarly, ishares ETF reported an outflow of ~166 tonnes, holdings currently stand at ~14800 tonnes.

Outlook

Market participants are closely watching upcoming economic data, which could trigger volatility into the market and influence gold and silver prices. A weaker-than-expected consumer confidence report or a downward revision of third-quarter GDP could strengthen expectations for a rate cut by the Federal Reserve, which would likely support higher gold prices. Additionally, inflation data, particularly the Personal Consumption Expenditures (PCE) Index, will be key, as weak inflation numbers could reinforce the case for monetary easing. It is a holiday-shortened week, as we have two days holiday in the US on the back of Thanksgiving Day. Prices could continue to trade in a broad range for this week.



Source: Reuters



Technical Outlook: -

Gold:

In the previous week gold gained 4.94%, which is ₹3,654. Currently, gold is trading within a parallel channel, moving in a broad range. The Relative Strength Index (RSI) is positioned above the 60 level, signaling bullish momentum and strength in the counter. Therefore, a buy-on-dip strategy is recommended. Key support levels are placed at ₹75,500 and ₹74,550, while resistance is placed in the range of ₹77,600 to ₹78,800.



Silver:

In the previous week, silver posted a gain of 2.58%, translating to an increase of ₹2,286. Currently, silver is trading within a parallel channel, moving in a broad range. The Relative Strength Index (RSI) is positioned below the 40 level, indicating weakness and a potential correction. This suggests that further price correction or profit booking could be expected in the near term. Key support levels are placed at ₹87,900 and ₹86,200, with resistance placed in the range of ₹90,500 to ₹92,000.





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

For any details contact:

Commodities Advisory Desk - +91 22 3958 3600

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

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