



Monday, November 11, 2024

Overview

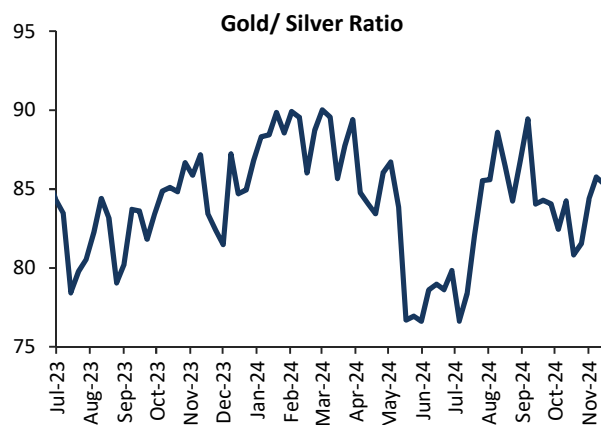
Gold posted steepest weekly decline in over five months, amidst profit booking from all time high levels and risk on sentiment post the US elections. Last week, there were series of events and data points which triggered volatility in both Gold and Silver prices. Market participants were cautiously awaiting updates regarding Fed policy meet, US Presidential Elections and Chinese legislative Congress meeting. Initially, post-election sell-off had sent gold prices tumbling, but this decline was largely offset by the Fed's calm and measured response, which included a 25-basis point reduction in policy rates.

The Fed cut its benchmark interest rate by a quarter point as its chair Powell hailed the strength of US economy and said he would not resign if incoming president Donald Trump asked him to. The unanimous decision, two days after an election result that created fresh uncertainty about the outlook for world's largest economy, lowered the Fed's target range to 4.5% to 4.75%. The marked decline in pace from September's half point cut, which rate setters made to stave off weakness in jobs market. FOMC continued to characterise inflation as "somewhat elevated", hence it will be important to see the pace of rate cuts that FOMC sets from here on. He also mentioned that, changes in US government's borrowing cost would be taken in to account.

Trump became 47th President of the US last week, a historic win against Vice President Kamala Harris. President- elect Trump in his rallies proposed sweeping tariffs, mass deportations of immigrants and extensive deregulation in addition to lower tax rates. Increase in fiscal stimulus and supply related inflation could become a hurdle in the Fed's path of loose monetary policy. Relationship between US

Exchange Contract	Gold Spot	COMEX	MCX
Open	2707	2689	77380
Close	2684	2688	77272
Change	-23	-51	-1595
% Change	-1.88%	-1.87%	-2.02%
Pivot	2691	2688	77308
Resistance	2703	2694	77592
Support	2673	2682	76989

Silver- Weekly Market Data			
Exchange	Silver	COMEX	MCX
Open	32.00	32.16	92224
Close	31.29	31.45	91269
Change	-0.71	-0.71	-4214
% Change	-3.50%	-3.77%	-4.41%
Pivot	31.50	31.64	91583
Resistance	31.85	31.98	92162
Support	30.95	31.11	90689



Source: Reuters



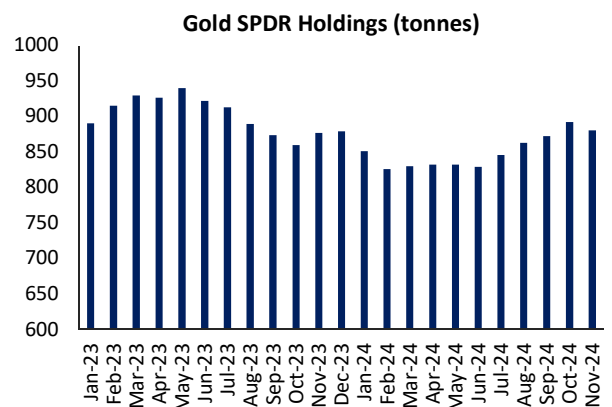
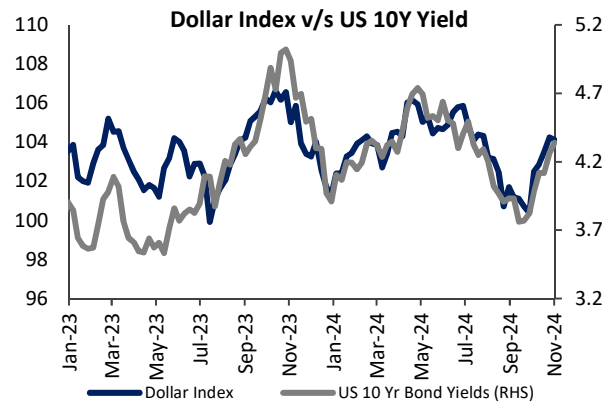
Treasury markets, the US Dollar, and gold also remains a key factor. The bond markets are still digesting the potential economic policies of the incoming administration, which could have significant implications for both Treasury yields and the Dollar. The Dollar's strength will continue to play a pivotal role in shaping gold prices, as a stronger Dollar tends to push gold lower. However, if the new administration's policies cause instability in the US economy or lead to rising debt concerns, the Dollar could come under pressure, benefiting gold in the process.

In the previous week, China announced \$1.4tn fiscal package to bail out local government and help shore up its faltering economy, as it braces for increased trade tensions with US under President-elect Trump. The long awaited fiscal plan is one of biggest to target the country's troubled local authorities, but it disappointed investors expecting more support for flagging household consumption. The announcement was more like a debt management policy than stimulus packages that the market participants were expecting.

In this month, investment in gold witnessed an outflow of ~11 ton, holdings currently stand at ~880. Similarly, ishares ETF reported an outflow of ~113 tonnes, holdings currently stand at ~14852 tonnes.

Outlook

Looking ahead, focus will shift to key economic indicators, like US CPI, PPI, Retail sales and Industrial production data. Along with these GDP, data from EU and UK will also be important to keep an eye on. After a 25bps cut by Fed in Nov'24 meet and a mixed tone from Governor Powell, focus this week shifts to Fed officials commentary. Continued up-move in Dollar index and US Yield could cap some gains for metals on higher side. Along with any update from President-elect Trump, geopolitical developments also will be keenly watched by the market. Both Gold and Silver could trade in a broad range.



Source: Reuters



Technical Outlook: -

Gold:

Gold prices saw a 2.02% decline last week, dropping by ₹1,595, and are now moving within a clear parallel channel. The metal is approaching a crucial support area between ₹76,000 and ₹75,500, which is an important level to watch for possible buying opportunities. Key resistance levels placed between ₹77,650 and ₹78,500, potentially limiting any short-term gains. After reaching a recent high of ₹79,775, a wave of profit-taking has pulled prices lower. The RSI indicator, sitting below the midpoint at around 45, suggests further downside risk, with a likely retest of the lower support range. A buy-on-dip approach near support is advisable, but if prices stay below ₹75,500, this strategy would be invalidated and indicating potential for a deeper decline.



Silver:

Silver prices decline by 4.39% last week, dropping by ₹4,190, and are currently moving within a clear parallel channel. The price is nearing a key support area between ₹89,000 and ₹87,900, an important zone to watch for possible buying opportunities. Immediate resistance is seen between ₹92,000 and ₹94,500, which may limit any near-term gains. The RSI indicator, currently below the midpoint at around 40, suggests further downside risk, increasing the chance of a retest of the lower support zone. A buy-on-dip approach near support is recommended, but if prices stay below ₹87,900, this strategy would be invalidated and indicating potential for a deeper decline.





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