Monday, February 10, 2025

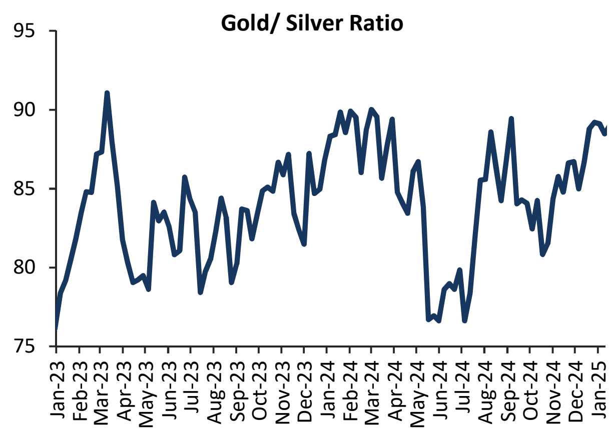
Overview

Gold continued its upward trajectory last week, setting new all-time highs both on the COMEX and in domestic markets. The rally was primarily driven by increasing concerns over geopolitical tensions and economic uncertainties. Escalating trade tensions between the U.S. and China continued to weigh heavily on investor sentiment, with the prospect of a full-scale trade war prompting a flight to safety. U.S. President Donald Trump initiated the latest phase of the trade war by imposing new tariffs on China, while also placing a 25% tariff on steel and aluminum imports. These moves further strained the global economic outlook and triggered retaliatory measures from China, which imposed tariffs worth $14 billion on U.S. goods. With both sides doubling down, market participants fled to gold as a safe-haven asset, driving its price higher.

The continued tensions between the U.S. and China, which show no sign of de-escalation, have underscored gold's role as a refuge from risk. Beyond the trade conflict, other geopolitical events added fuel to the uncertainty. In a more recent development, President Trump announced that the U.S. would take over and develop the Gaza Strip, further complicating an already fragile geopolitical landscape in the Middle East. The potential for increased instability in the region, coupled with rising trade tensions, contributed to a surge in demand for gold, as investors sought to hedge against the possibility of wider economic and political turmoil. The appeal of gold as a hedge against global risks was therefore amplified, and the metal's safe-haven status strengthened further.

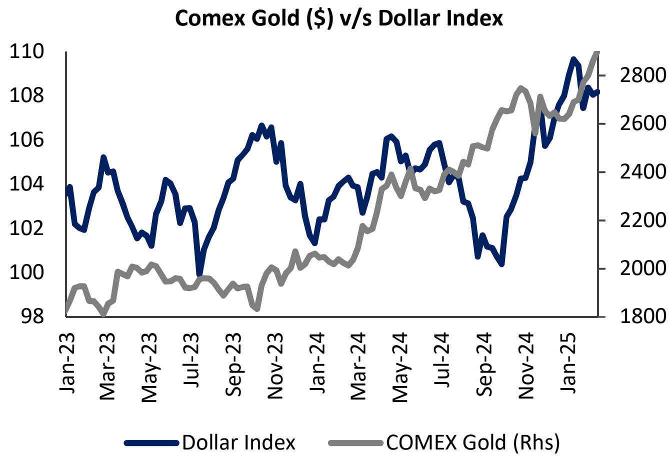
Exchange	Gold	COMEX	MCX
Contract	Spot		
Open	2856	2860	84653
Close	2860	2867	84888
Change	4	55	2655
% Change	2.12%	1.95%	3.23%
Pivot	2866	2872	84867
Resistance	2881	2885	85300
Support	2846	2854	84454

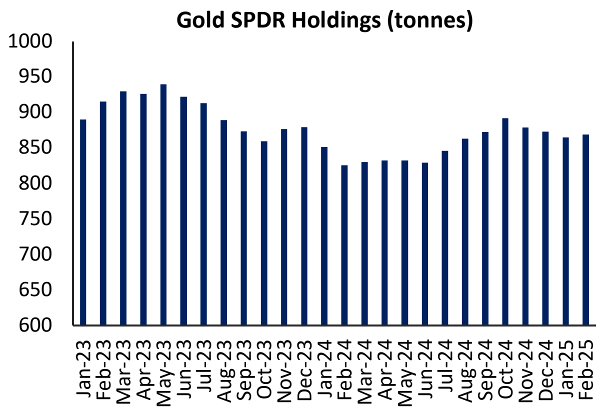
Silver- Weekly Market Data			
Exchange	Silver	COMEX	MCX
Open	32.23	32.74	95699
Close	31.82	32.34	95333
Change	-0.41	-0.41	2005
% Change	1.64%	0.64%	2.15%
Pivot	32.07	32.40	95689
Resistance	32.38	32.68	96276
Support	31.50	32.05	94745



Source: Reuters

Supply constraints have also played a significant role in the price movement. The squeeze between New York and London amidst Trump's tariffs threat, combined with the shallow stocks in London warehouses, is placing increasing pressure on the gold market. The physical gold supply in London has been running low, exacerbating the already strained global supply situation. This growing scarcity, coupled with rising demand due to geopolitical and economic uncertainties, has put upward pressure on gold prices. As the supply of gold in these key markets tightens, the metal has become more difficult to obtain, further fueling investor demand and pushing prices higher. This squeeze in London warehouses, along with limited availability in New York, is likely to continue to put pressure on gold's price as both demand and supply-side issues persist





In addition to these geopolitical developments, gold markets were buoyed by the growing strength of the People's Bank of China (PBoC), which continued to expand its gold reserves. A new Chinese program also allowed insurance funds to invest in gold, adding another layer of demand. Meanwhile, the tightness in the physical gold market, particularly in London warehouses where stocks have been falling, contributed to the metal's bullish sentiment. With limited supply, especially in the wake of heightened geopolitical risks, traders were increasingly optimistic about further price gains.

In the U.S., the Labor Department's report revealed that the economy added 143,000 jobs in January, a weaker-than-expected result, which fell short of economists' predictions of 170,000. The unemployment rate, however, remained at a healthy 4%, better than the anticipated 4.1%. Despite these relatively solid employment numbers, the lower-than-expected job growth added to concerns about economic momentum, which, in turn, supported the case for gold as a protective asset.

The RBI cut interest rates by 25 bps, marking the first rate cut in five years. The decision was a reflection of a broader shift in economic outlook, with the central bank lowering both its growth and inflation forecasts. This move came in response to challenges faced by the Indian economy, such as slower growth and persistent inflationary pressures.

Technical Outlook:

In the previous week, Gold prices gained around 2500 points or 3.14%. Prices witnessed strong upsurge hitting the new all-time highs last week after a successful symmetrical triangle breakout. The key support is now placed near Rs. 84000 level on closing basis. However, key immediate resistance level is observed at Rs. 86500. The 14-period RSI on daily chart is holding well above overbought 70 mark indicating further buying interest. There is a possibility for it to test Rs. 86500 on the immediate basis. Any sustenance above Rs. 86500 level could drift the prices higher towards Rs. 88000 in coming sessions. Buying on significant dips is suggested in the counter. However, our view will negate if prices break below Rs. 83800 mark on closing basis.

During the previous week, Silver prices witnessed a gain of more than 2000 rupees or 2.27%. Prices have convincingly given a descending triangle breakout surpassing multiple resistance. The immediate key resistance is now observed near Rs. 100000 mark. However, key immediate support is placed near Rs. 93000 level. The 14-period RSI has crossed above the mid-point mark of 50 on the daily chart suggesting that momentum is strengthening on the higher side. A decisive break above Rs. 96600 level is likely to push prices higher towards Rs. 100000 mark in the near term. However, the bullish view will negate if prices manage to break below Rs. 93000 level on closing basis.

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Commodity Disclosure & Disclaimer:

Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx

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