

SPECIAL MONTHLY REPORT ON

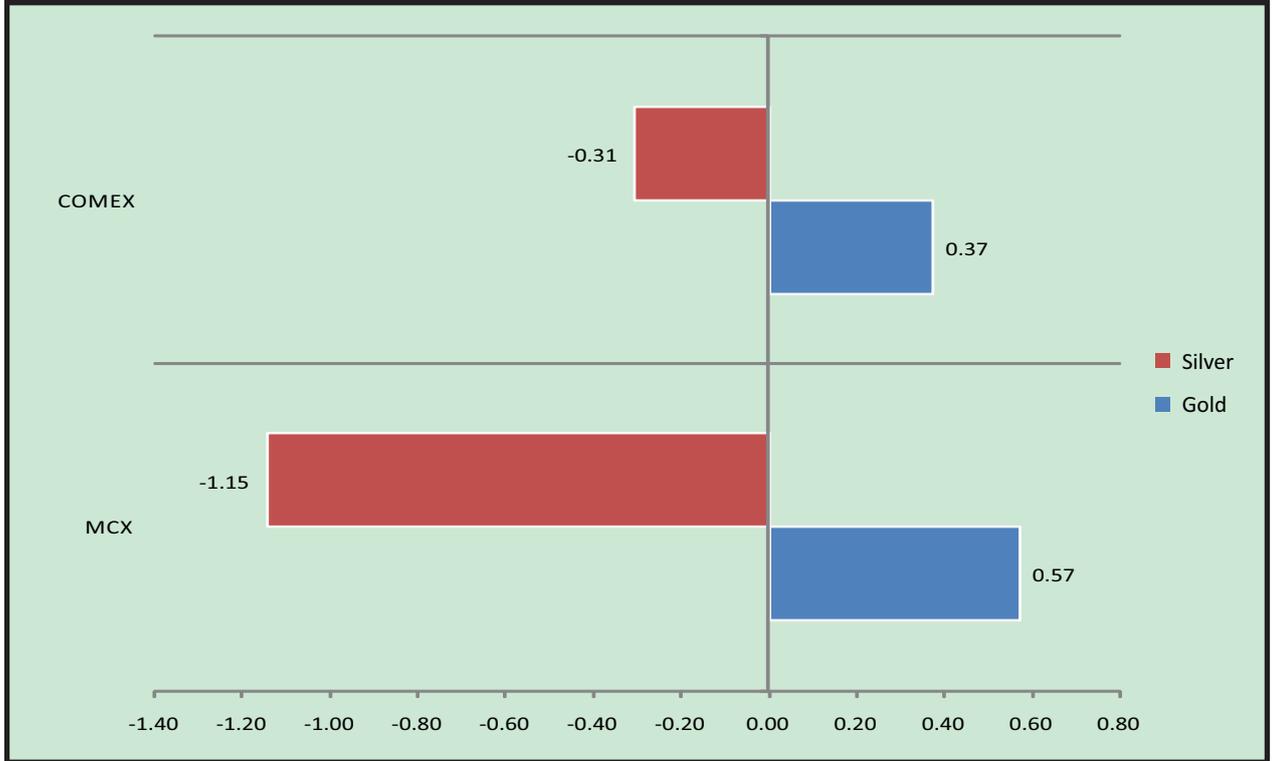
Bullions

(April 2018)

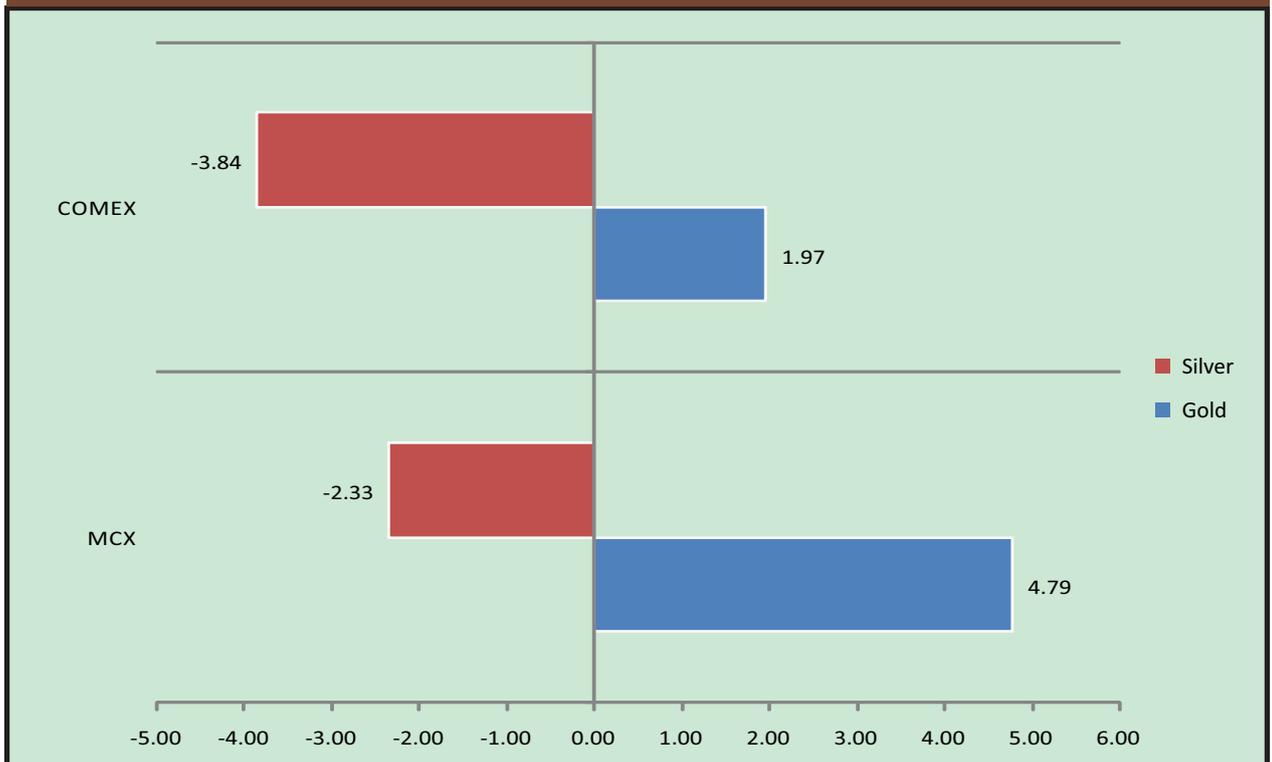


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BULLIONS PERFORMANCE (March 2018) (% change)



BULLIONS PERFORMANCE (January - March 2018) (% change)



BULLIONS

Overview

In the month of March, bullion counter traded on mixed path as prices started the month on firm note as weaker greenback and fear of trade war between US and China led to safe haven buying but in last week prices nosedived sharply on swift recovery in greenback and easing of trade war tensions. Overall gold traded in range of 30095-30521 in MCX and \$1307.9-1358.5 in COMEX. Silver traded in range of \$16.06-16.84 in COMEX and 37450-39499 in MCX. On domestic bourses weaker local currency also boosted the prices in MCX. Local currency rupee moved in range of 64.72-65.29. Investors rushed to safe haven buying after U.S. President Donald Trump took a step towards long-promised anti-China tariffs, stoking fears of a global trade war. A presidential memorandum signed by Trump will target up to \$60 billion in Chinese goods with tariffs over what his administration says is misappropriation of U.S. intellectual property, but only after a 30-day consultation period that starts once a list is published. Chinese blamed US tariff plans for unrest in trade of Chinese economy but hoped for solutions between world's two largest economies. The US dollar index dipped lower amid uncertainty about Trump administration and concerns about economic impact of Trump's regressive trade policies. Meanwhile Fed raised interest rates last month and forecasted at least two more hikes for 2018, highlighting its growing confidence that tax cuts and government spending will boost the economy and inflation and spur more aggressive future tightening. Powell stated that the U.S. economy would need to see a significant increase in productivity to push growth above 3%.

Outlook

In the month of April bullions may remain under pressure as surge in greenback and reduced safe haven demand due to easing of trade war tensions between US and China. This month less than expected US nonfarm payroll data can cap the downside. The gold/silver ratio can move in range of 78-84 in near term. On domestic bourses the weaker local currency to support the prices as it can move in range of 64-66 in the month of April. **Gold can take support near 30300 which can be used as buying**

opportunity towards 31400, while silver can take support near 38000 and then recover towards 39800 in the month of April.

U.S remained softer on China at the world trade organization over the legality of U.S tariffs in response to alleged theft of U.S intellectual properties. China's net gold imports via main conduit Hong Kong plunged 35.5 percent in February from the previous month. Meanwhile China paints a positive picture for local jewelry consumption following the Chinese New Year. It also stated that retailers in the country are replenishing inventories after the holiday season. The factors that supported gold demand in 2017 should continue to underpin the demand in 2018 as well. India's gold imports in February dropped a quarter from a year ago to 63 tonnes as higher prices curtailed demand in the world's second-biggest consumer of bullion, provisional data from precious metals consultancy GFMS showed.

Key News

US Mint American eagle coins sales

Data on the U.S. Mint website show only 5,500 ounces of American Eagle gold coins were sold in February. That is down sharply from 58,500 in January and from 27,500 in February 2016. Mint sales of American Eagle silver coins were likewise soft last month. The total of 942,500 ounces was down from 3.24 million in January and 1.22 million ounces in February 2016.

Fear of full blown trade war increased safe haven demand of yellow metal

The most recent factor supporting gold prices is the fear of a full-blown trade war. While a trade war doesn't seem to be very likely, given how Trump exempted many more countries from the proposed steel and aluminum tariffs, the ensuing uncertainty could be enough for investors to seek shelter in safe-haven assets—including gold

China and Indian demand could support gold prices

The outlook for gold demand in 2018 also looks positive, given the positive initiatives the government undertook in its 2018 budget. These initiatives include the development of a comprehensive policy and the creation of a gold exchange. The WGC expects Indian gold demand to stabilize at 700–800 tons.

Gold jewelry purchases by the world's two largest

consumers—China and India—usually support gold prices (GLD). The brighter demand outlook from these countries could support gold prices.

Global ETF holdings

According to the World Gold Council (or WGC), physical gold held in the gold-backed ETFs fell by 5.1 million tons in February 2018 from the previous month. The ETF holdings in January had increased by 27.6 million tons, a gain of 5% year-over-year (or YoY). In February, as volatility in gold prices increased and prices weakened, ETF holdings dwindled.

In March, the situation seemed to have reversed once again. Jitters related to the equity markets, as well as lower gold prices, might be encouraging investors to pile into gold ETFs.

The SPDR Gold Shares ETF (GLD) and the iShares Gold Trust ETF (IAU) have risen almost 1% last month. Concerns regarding equity markets, trade war fears, and weaker US dollar could be key factors for gold's recovery.

Fed hikes rates, lifts economic forecast, signals two more rate hikes this year

In the last month meeting the US central bank announced an increase in its benchmark interest rate target range by 0.25% to a new band of 1.5%-1.75%. This move puts the effective fed funds rate at around 1.63%,

the highest since September 2008. All eight voting members of the FOMC voted in favor of the decision.

The Fed acknowledged an upgraded outlook for the economy by including an entirely new sentence in its statement which said, "The economic outlook has strengthened in recent months."

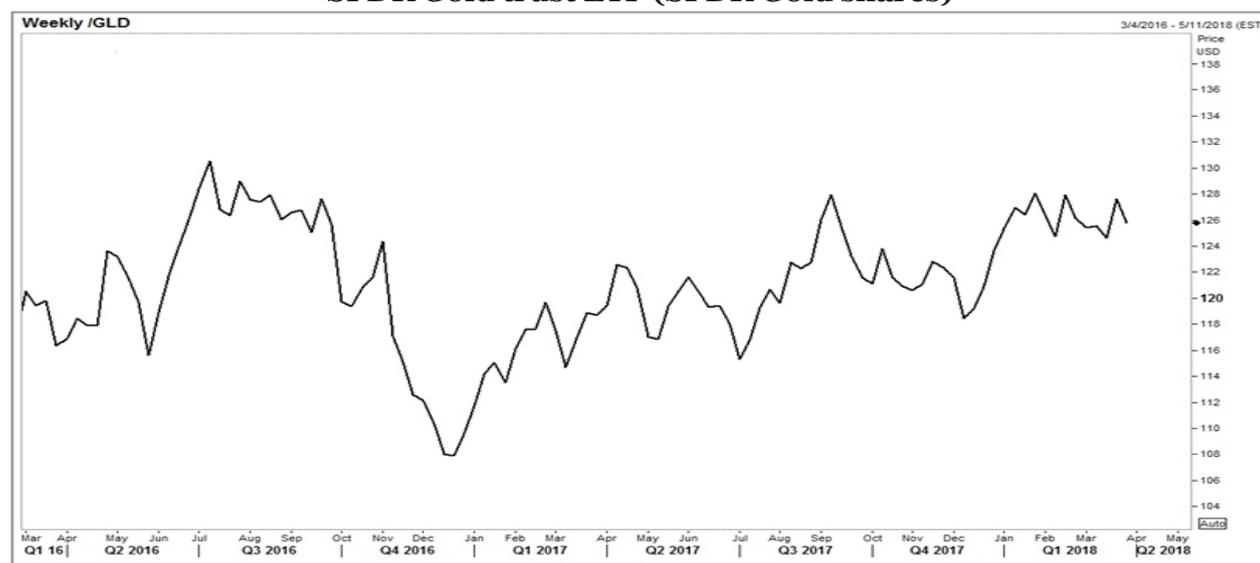
Gold Silver ratio



Source: Reuters and SMC Research

Analysis: Gold silver ratio jumped from 78 to 81.5 as silver fell at faster pace than gold. Gold silver ratio can hover in range of 78-83 in the month of April.

SPDR Gold trust ETF (SPDR Gold shares)



Source: Reuters and SMC Research

Analysis: SPDR Gold Shares is one of the top ten largest holders of gold in the world. GLD is the largest ETF to invest directly in physical gold and has an extremely close relationship with spot prices at LBMA. SPDR Gold share ETF has been hovering in range of \$125 -128 recently.

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