

SPECIAL MONTHLY REPORT ON

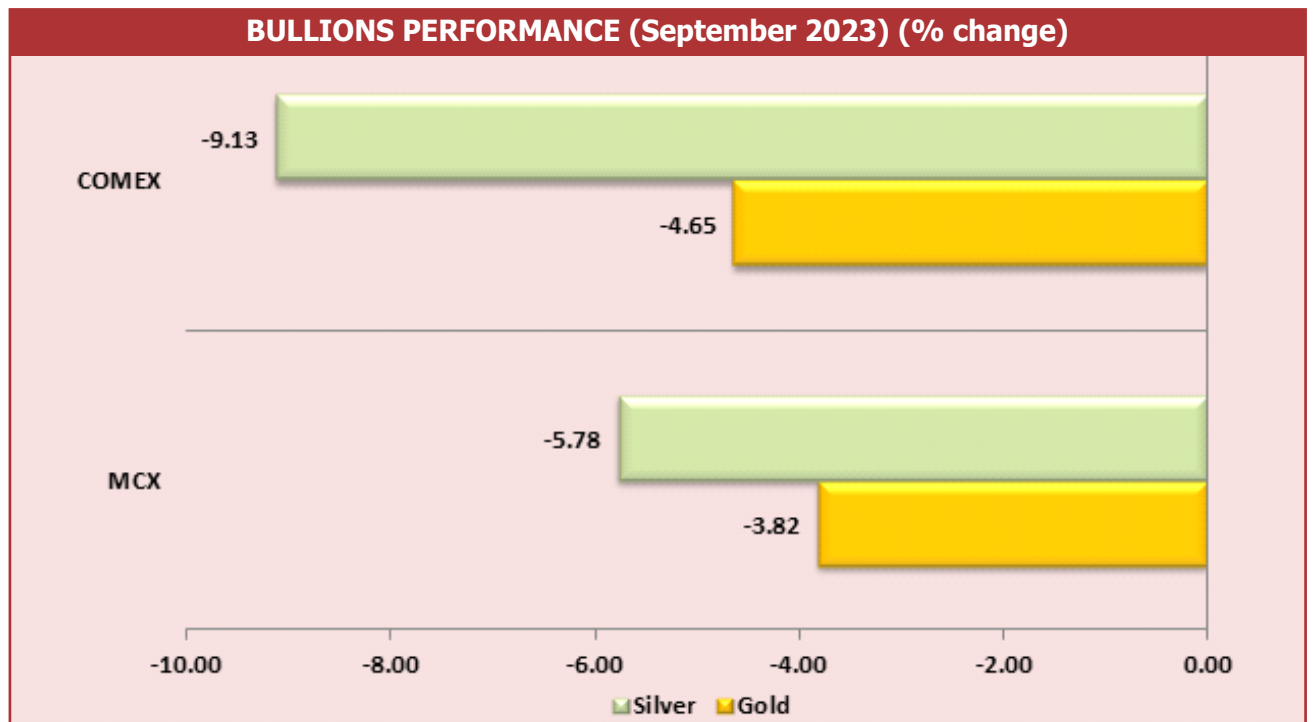
BULLIONS

OCTOBER 2023

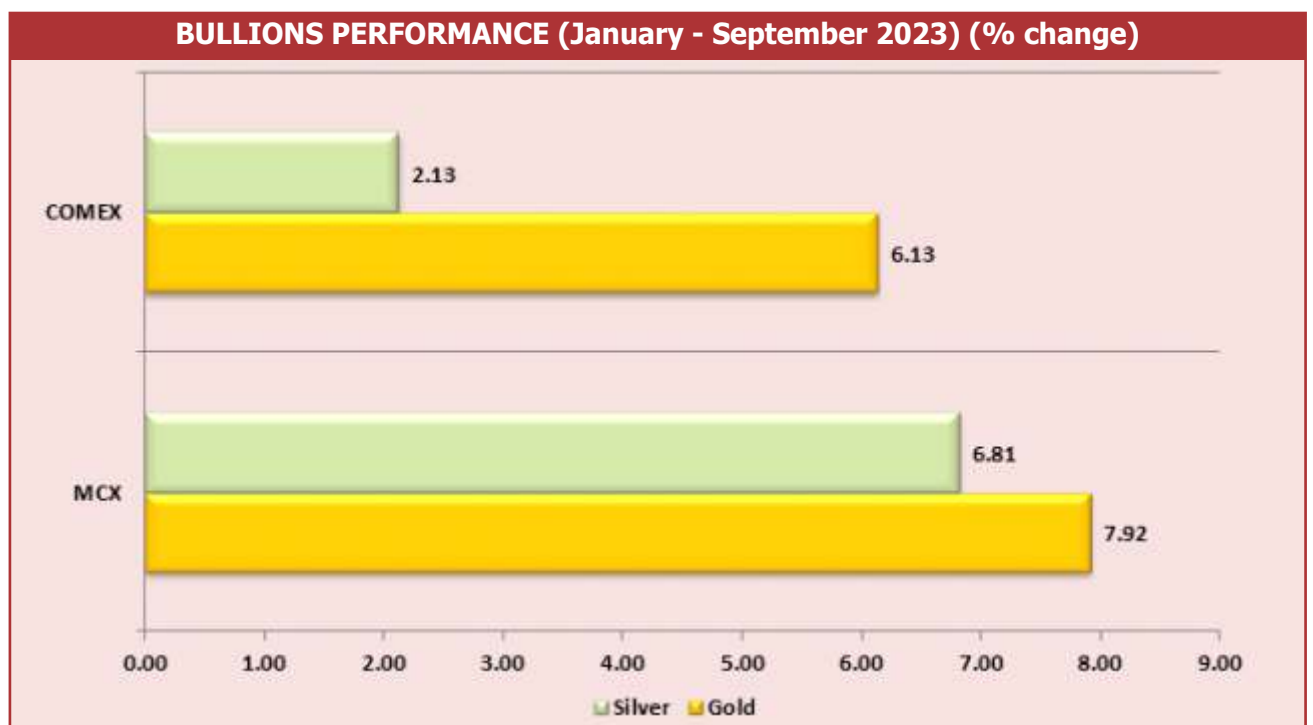


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Source: Reuters & SMC Research



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In September, gold prices declined 4.6% in Comex and 3.8% on MCX as the U.S. dollar registered its second consecutive monthly rise and U.S. Treasury yields also posted their fifth consecutive monthly gain. The gold prices also posted second consecutive quarterly decline, as dollar hit a 10-month high against its major peers, while Treasury yields climbed a fresh 16-year peak as investors bet the U.S. economy will outperform its competitors in an environment of high interest rates. Comments from Fed officials last week of September month also signalled to the market that the Fed could raise rates further to bring inflation to its 2 per cent target. On the data front, orders for long-lasting US manufactured goods rose in August, as an increase in machinery and other products offset a drop in civilian aircraft, and business spending on equipment appeared to regain momentum after faltering early in the third quarter. Richmond Fed President Thomas Barkin said it's unclear whether more monetary policy changes will be needed in the coming months. Minneapolis Fed President Neel Kashkari said it is

not clear yet whether the U.S. central bank is done raising rates amid ample evidence of ongoing economic strength. Reflecting dwindling investor interest in bullion, SPDR Gold Trust, the world's largest gold-backed exchange-traded fund, said its holdings fell to their lowest level since January 2020.

Outlook

- Looking ahead in October, gold & silver prices will continue to trade with bearish bias as Federal Reserve officials underscored the likelihood interest rates will stay high.
- The dollar scaled a 10-month peak, while Treasury yields hovered near 16-year highs, after the U.S. government averted a partial shutdown and economic data supported the prospects of rates staying higher for longer.
- Fed officials say monetary policy will need to stay restrictive for “some time” to bring inflation back down to the its 2% target, but their unity around that phrase masks an on-going debate over another possible rate hike this year.
- U.S. manufacturing took a step further towards recovery in September as production picked up and employment rebounded, according to a survey on Monday that also showed prices paid for inputs by factories falling considerably.
- Markets priced in a 45% chance of another 25-basis-point rate hike this year, but also expect a 41% possibility of some monetary policy easing in the first half of 2024, according to the CME FedWatch tool.
- Central banks have been major buyers of gold in recent years. However, as inflation rises and interest rates climb, central banks may be less inclined to buy gold.
- Rising inflation, elevated domestic prices for gold, and a drier-than-average monsoon season, which featured the driest August in more than a century, could cause gold demand in India to fall 10% this year to the lowest in three years, the World Gold Council said.
- Business surveys suggest these economic trends might persist for some time and with US debt issuance also set to remain at stratospheric levels this quarter, maintaining the upward pressure on US yields.
- In August, the combined sales of the Mint's gold coins and gold bars reached 34,875 ounces, marking the lowest monthly total since February 2020 and reflecting drops of 20.8% from July and 59% from August 2022.
- In the month, the Mint recorded sales of 792,503 ounces for minted silver coins and bars, representing only the second time falling below a million since December 2020, with the first occurrence in July, and once again, the lowest monthly amount since February 2020.



Source: Perth Mint

Weekly Gold Price Movement in MCX



Source: Reuters

Weekly Gold Price Movement in COMEX



Source: Reuters

Weekly Silver Price Movement in MCX



Source: Reuters

Weekly Silver Price Movement in COMEX



Source: Reuters

In October, gold prices may continue to witness sell side movements and possible range would be 55800-58500. On the other hand, Silver may trade in the range of 62000-69000.

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