

SPECIAL MONTHLY REPORT ON

BULLIONS

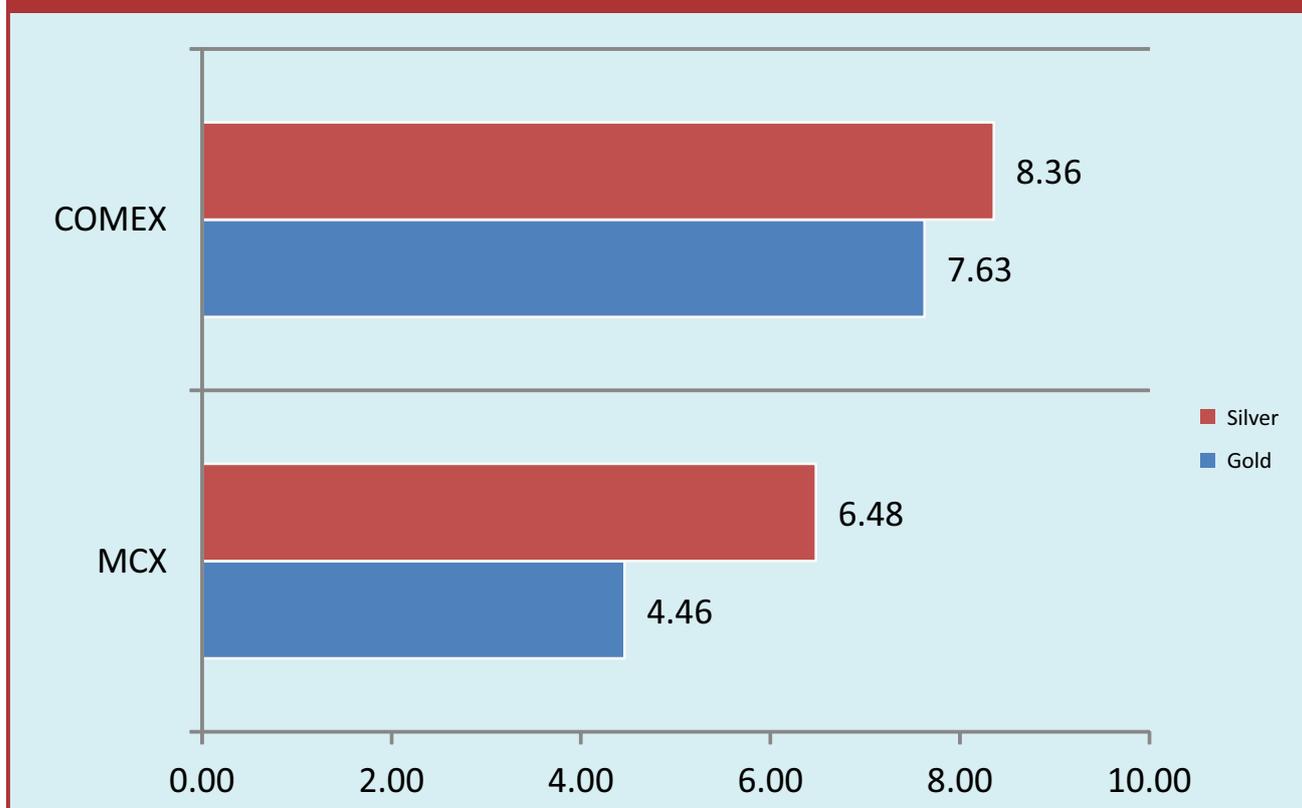
JUNE 2021



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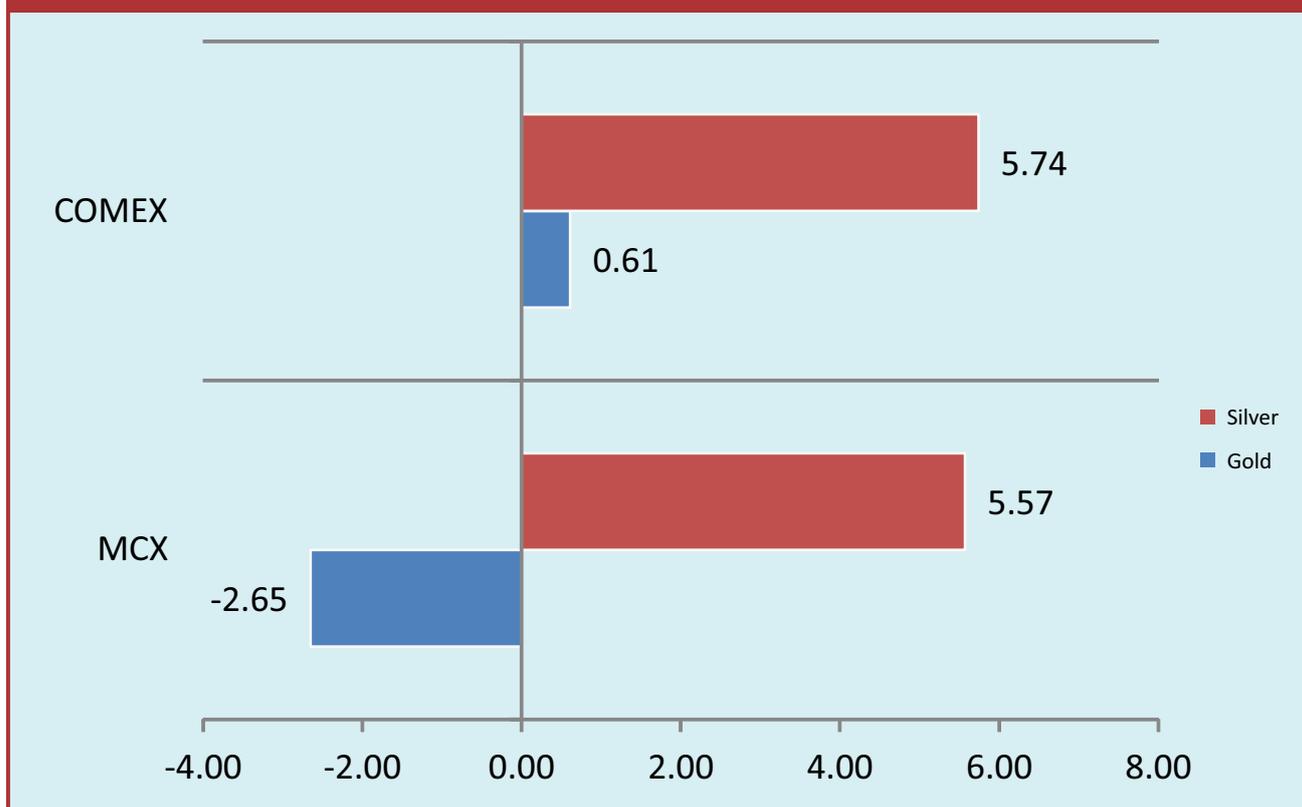
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BULLIONS PERFORMANCE (May 2021) (% change)



Source: SMC research & Reuters

BULLIONS PERFORMANCE (January - May 2021) (% change)



Source: SMC research & Reuters

In the month of May, Gold prices were around 4.5% Up whereas silver jumped 6.5% in MCX. Gold prices recorded around 7.5% % in COMEX, its biggest monthly jump of around 7.5% % since July 2020 as the U.S. dollar registered its second consecutive monthly loss versus rivals while growing inflationary pressures also lifted bullion's appeal. Gold has risen above \$1900 as the Federal Reserve is not ready to tighten its ultra-loose monetary policy even as inflation pressures continue to rise. Data showed U.S. consumer prices surged in April, with a measure of underlying inflation blowing past the Federal Reserve's 2% target and posting its largest annual gain since 1992. Gold market is benefiting as real interest rates remain in historically low negative territory. A glance at US Treasury yields makes it clear that US Fed is in no hurry to change its stance.

Outlook

The subdued dollar and lower US treasury yields is supporting the gold prices. The dollar remains on the back foot as hopes of further stimulus and steady vaccinations in the West, improving the demand for gold. Gold's next move will come when the U.S. Labor Department releases its nonfarm payrolls report for May. A disappointing nonfarm payroll could push gold prices further upside while better than expected numbers could see US dollar and yields move higher. The only uncertainty is the Federal Reserve's next move amid increasing inflation. Traders may have an additional reason to believe that Fed may hint at rate hikes sooner than expected, in turn underpinning the US dollar and dragging gold prices.

Looking ahead in June, Bullion counter may continue to trade with sideways to bullish bias where we may also witness some selling from higher levels. Silver is expected to be very volatile and also selling from higher levels is expected.

Major News

- **Fed stance on monetary policy:** Federal Reserve officials have repeatedly maintained they expect any rise in inflation to be short-lived, and said monetary stimulus would stay in place for some time. For as long as the Fed refuses to change its monetary policy in response to rising inflation, real interest rates will continue sliding ever further into negative territory, which is good news for gold. Gold is often seen as an inflation hedge, although Fed Chair Jerome Powell has repeatedly stated that higher inflation will be transitory.
- **Declining US bond yield & dollar:** Despite of optimistic data of most of the economic indicators for the US economy in recent time, rising inflation and refusal of change in its monetary policy by fed pressuring the dollar index to 4-1/2 month lows and lowering 10-year yield and this has lent support to the bullion.
- **Rising investment demand for gold:** As per SPDR data, investor interest in gold exchange-traded funds (ETFs) has returned in recent weeks, with the biggest gold ETF, the SPDR Gold Trust, showing holdings at 33.55 million ounces. This was almost 2.7% up since the low of 32.699 million on April 29. While the increase in the SPDR's holdings may be a mildly bullish signal, it's worth noting that they are still well below the 41.115 million ounces in September last year, which was a 7 1/2-year high.
- **Optimism about global economic recovery:** The global economic rebound from the pandemic has picked up speed but remains uneven across countries and faces multiple headwinds. Most advanced economies and some emerging economies are witnessing a strong recovery, while the rest of the world, including India, has fallen behind. The second wave of the pandemic has hit India hard, with state wide lockdowns stalling economic activity. Though the second wave is officially in decline, the virus is spreading to the hinterlands, pushing the economic recovery to uncharted territory.
- **Rollout of covid-19 vaccine:** The vaccination updates from all over the globe have been very positive. In December 2020, only 26% of vaccines distributed in the US were administered. In May this number rose to 80%. Data shows that demand is beginning to catch up to supply in the US. However many countries like India, Japan, Vietnam, Malaysia and many other Asian countries facing problem of rising cases of different variant of coronavirus. Many countries have been forced to re-impose certain lockdown or restrictive measures in order to curb the spread of the same. The WHO's European director warned that the COVID-19

Gold Price movement in MCX



Source: Reuters

Gold Price movement in COMEX



Source: Reuters

Silver Price movement in MCX



Source: Reuters

Silver Price movement in COMEX



Source: Reuters

In June 2021, Gold may trade in range of 48000-51000 and Silver may trade in range of 70000-74500. On COMEX gold may trade in range of \$1870-\$1930 and Silver may trade in range of \$26.50-\$30.00.

pandemic won't end until at least 70 percent of people are vaccinated, and criticised Europe's vaccine rollout as "too slow".

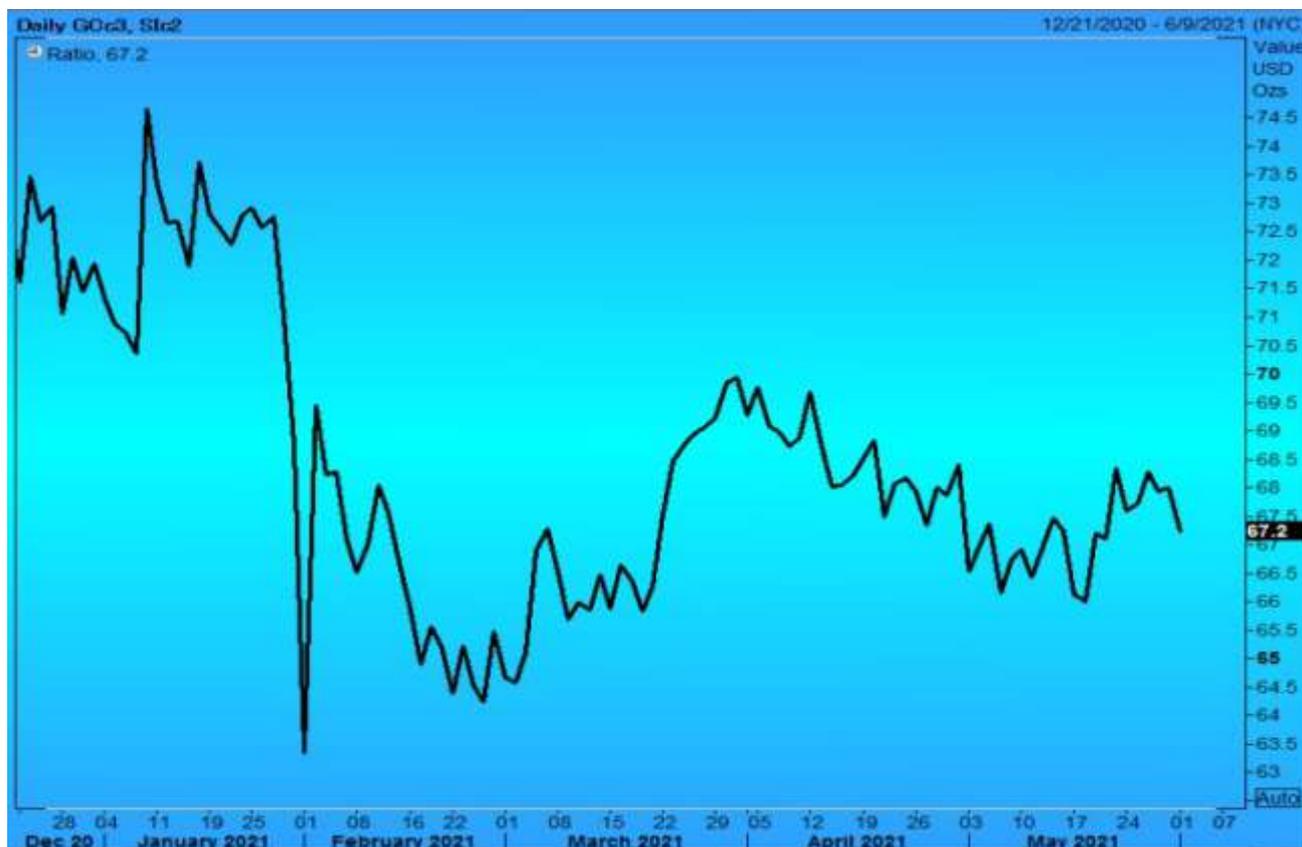
- **Gold demand in China**

In China, there are also signs of improving demand, with first quarter demand coming in at 191.1 tonnes, the highest quarterly total since 2015, according to data from the World Gold Council. This was up a massive 212% from the first quarter of 2020, when demand was crushed by the coronavirus, but it was also some 4% above the first quarter of 2019, indicating some real strength in China's demand. Chinese buying may have continued, with net gold imports via Hong Kong surging in April to the highest since December 2019, according to official data from the Chinese territory's government. Given China's relative success in curbing the spread of the coronavirus and its subsequent economic recovery, the chances are that gold demand will remain strong over the rest of 2021.

- **Gold demand in India**

Physical gold demand in second-biggest bullion consumer India was negligible last month with most jewellery stores still shut by COVID-19 lockdowns, forcing dealers to offer steep discounts. Dealers offered discounts of up to \$10 an ounce over official domestic prices, the highest since mid-September 2020, news agency Reuters reported. However, with a few states gradually easing restrictions from next month gold demand may pick up.

Gold-Silver ratio



Source: Reuters

Analysis: The gold/silver ratio, which measures the number of silver ounces needed to buy an ounce of gold, traded in narrow range of 66 to 69 in May. In June 2021, it will trade in the range of 65-70.

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