

SPECIAL MONTHLY REPORT ON

BULLIONS

AUGUST 2020



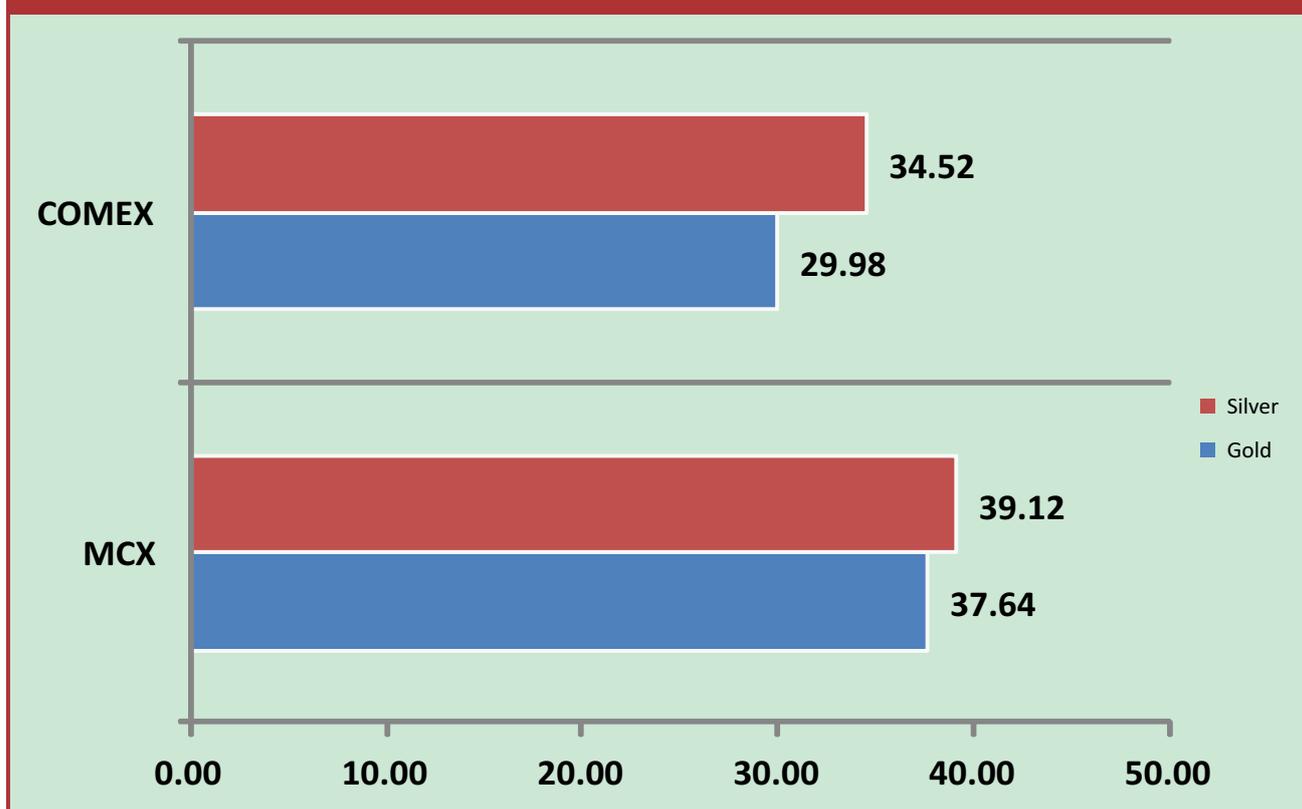
smc

Moneywise. Be wise.

BULLIONS PERFORMANCE (July 2020) (% change)



BULLIONS PERFORMANCE (January - July 2020) (% change)



BULLIONS

Overview

In the month of July, Bullion counter remain on upside path as concerns over global economic growth and wave of stimulus measures from central banks continue to support the bullish sentiments and posted return of almost 10 %. Bullion counter has witnessed biggest monthly gain in more than four years after a weaker dollar and low rates fuelled its surge to a record. Silver prices posted about 34% in July—the second-biggest monthly gain on record—and it's still undervalued compared with the yellow metal. In result, the local demand in India is expected to fall to the lowest level in 26 years with domestic bullion prices hitting a record high and as falling disposable incomes could curtail retail purchases. The gold prices has surged almost 30% in 2020, putting it on track for the biggest annual increase in more than a decade, as concern about the fallout from the coronavirus pandemic boosts its appeal as a haven. The Federal Reserve last month repeated a vow to use all its tools to support the U.S. economy, with governments and central banks worldwide already unleashing vast amounts of stimulus to shore up growth. In result to this we have seen positioning in Gold not only from institutional side but from retail side seen surge in flows. Gold traders declared their intent to deliver 3.3 million ounces against the August Comex contract, the largest daily delivery notice in bourse data going back to 1994. With more stimulus on the horizon, the gold is the currency of last resort amid an inflation threat to the dollar. A historic plunge in second-quarter GDP and a tweet by President Donald Trump raising the possibility of delaying the U.S. November presidential elections weighed on U.S. stocks and Treasury yields.

Outlook

In Aug Bullion counter may continue to trade with bullish bias driven by growing concerns over the global economic recession, fears of a second wave of COVID-19, heightened geopolitical tensions, historically low and negative interest rates as well as rising inflationary expectation amidst unprecedented levels of stimulus measures launched by central banks around the globe, where we may also witness some selling from higher levels, but any dip towards support considered as buying opportunity. Silver is set to outshine gold, even as prices of both precious metals soar in the midst of a faltering global economy and a weakening U.S. dollar. Lower demand by the world's second-biggest bullion consumer could limit a rally in global prices. Millions of Indians have lost their jobs or taken a pay cut after the country imposed a lockdown on its 1.3 billion people to curb the spread of the virus that has infected more than 1.5 million Indians. Clearly investors aren't feeling completely comfortable as evidenced by gold's latest shunt higher. The safe haven commodity is now crossed the level of \$2000 per ounce for the first time, reflecting the market's underlying anxiety. It is believed that gold prices could be entering a period of consolidation after a historic surge prompted at least in part by the public-health crisis, alongside a recent bout of weakness in the U.S. dollar, and the low yields being offered by government debt.

Major News

- **Tension between US-China:** Tensions between the United States and China are flaring over the coronavirus, which the Trump administration accuses China of failing to control, as well as accusations of espionage, intellectual property theft and human rights violations. American officials ordered the closure of China's consulate in Houston, saying that diplomats there had aided in economic espionage, prompting China to order the closure of the American consulate in Chengdu. Trump administration also added another 11 Chinese companies to a government list barring them from buying American technology and other products, citing human rights abuses against predominantly Muslim ethnic minorities in the Xinjiang region in China's far west. The two countries are also

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 Aug gold may trade in range of 50000-57000 and Silver may trade in range of 62000-75000. Whereas on COMEX gold may trade in range of \$1900-\$2100 and Silver may trade in range of \$23.40-\$28.00.

August 2020

clashing over China's security crackdown in Hong Kong, its global 5G ambitions and its territorial claims in the South China Sea.

- **Accelerating spread of the coronavirus:** Continued failure to curtail the spread of Covid-19 in the US and other countries poses a dramatic risk to any economic recovery and supporting gold. Coronavirus cases continue to surge in the United States and dozens of U.S. states have had to pause or roll back their reopening plans. More than 18.41 million people have been reported to be infected worldwide so far.
- **Coronavirus relief bill in US senate is taking so long:** The deadlock over coronavirus relief bill in US is taking long time. White House negotiators vowed to work "around the clock" with congressional Democrats to try to reach a deal on coronavirus relief. The democrats are standing behind a \$3 trillion plan that passed the House in May and Republicans raising concerns over their own \$1 trillion proposal laid out by Senate Majority Leader Mitch McConnell last week. Mitch McConnell said he is "prepared to support" a coronavirus relief agreement when Democrats and the White House reach one.
- **Decision of Federal Reserve:** The Federal Reserve left interest rates near zero on July 29, and Mr. Powell made clear officials plan to keep rates at rock-bottom for the foreseeable future. Mr. Powell said it was important that the Fed keep its programs in place "until we're very confident that the turmoil from the pandemic and the economic fallout are behind us. In the next few months, the Federal Reserve will be solidifying a policy outline that would commit it to low rates for years as it pursues an agenda of higher inflation and a return to the full employment picture that vanished as the coronavirus pandemic hit. Further supporting gold, the five-year U.S. Treasury yield hit a record low, while the benchmark 10-year Treasury yield fell to a five-month trough.

Global gold demand sinks in Q2, 2020

Global gold demand in Q2 down 11% y-o-y to 1,015.7t, demand for the first half year was 6% weaker at 2,076t. The COVID-19 pandemic was again the main influence on the gold market in Q2, severely curtailing consumer demand while providing support for investment. The global response to the pandemic by central banks and governments, in the form of rate cuts and massive liquidity injections, fuelled record flows of 734t into gold-backed ETFs (gold ETFs). These flows helped lift the gold price, which gained 17% in US dollar terms over the first half, hitting record highs in many other currencies.

India's gold demand also plunged

- Gold demand in India plunged 70 percent during the April-June quarter to 63.7 tonnes compared with the same period last year mainly due to the nationwide lockdown to prevent the spread of COVID-19 and high prices, according to a latest World Gold Council (WGC) report published on July 30, 2020.
- Gold demand in India in H1 2020 was 165.6 tonnes, plummeting 56 percent in comparison to H1 2019, despite marginal increase of gold ETF buying in keeping with global trends
- The total jewellery demand in India for the second quarter of 2020 decreased by 74 percent at 44 tonnes compared to 168.6 tonnes in the same quarter of 2019.
- Total investment demand for Q2 2020 declined by 56 percent to 19.8 tonnes during the quarter under review against 44.5 tonnes last year.
- Similarly, total gold imports in India in Q2 2020 sank 95 percent to 11.6 tonnes during the quarter compared to 247.4 tonnes in Q2 2019 due to no movement.

Gold-Silver ratio



Source: Reuters

Analysis: Gold-silver ratio has dropped from 98 to below 84 level as Silver outperformed gold. In August it traded in the range of 80-90.

SPDR Gold trust holding



Source: goldprice.org

Analysis: SPDR gold share trade in the range of 175-195 in near term.

E-mail: smc.care@smcindiaonline.com



Moneywise. Be wise.

Corporate Office:

11/6B, Shanti Chamber,
Pusa Road, New Delhi - 110005
Tel: +91-11-30111000
www.smcindiaonline.com

Mumbai Office:

Lotus Corporate Park, A Wing 401 / 402 ,
4th Floor, Graham Firth Steel Compound,
Off Western Express Highway, Jay Coach
Signal, Goreagon (East) Mumbai - 400063
Tel: 91-22-67341600,
Fax: 91-22-67341697

Kolkata Office:

18, Rabindra Sarani, Poddar Court,
Gate No-4, 5th Floor, Kolkata-700001
Tel.: 033 6612 7000/033 4058 7000
Fax: 033 6612 7004/033 4058 7004

SMC Global Securities Ltd. (hereinafter referred to as "SMC") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. SMC is a registered member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited, MSEI (Metropolitan Stock Exchange of India Ltd.) and M/s SMC Comtrade Ltd is a registered member of National Commodity and Derivative Exchange Limited and Multi Commodity Exchanges of India and other commodity exchanges in India. SMC is also registered as a Depository Participant with CDSL and NSDL. SMC's other associates are registered as Merchant Bankers, Portfolio Managers, NBFC with SEBI and Reserve Bank of India. It also has registration with AMFI as a Mutual Fund Distributor.

SMC is a SEBI registered Research Analyst having registration number INH100001849. SMC or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities/commodities market.

The views expressed by the Research Analyst in this Report are based solely on information available publicly available/internal data/ other reliable sources believed to be true. SMC does not represent/ provide any warranty expressly or impliedly to the accuracy, contents or views expressed herein and investors are advised to independently evaluate the market conditions/risks involved before making any investment decision. The research analysts who have prepared this Report hereby certify that the views /opinions expressed in this Report are their personal independent views/opinions in respect of the subject commodity.

DISCLAIMER: This Research Report is for the personal information of the authorized recipient and doesn't construe to be any investment, legal or taxation advice to the investor. It is only for private circulation and use. The Research Report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. No action is solicited on the basis of the contents of this Research Report. The Research Report should not be reproduced or redistributed to any other person(s) in any form without prior written permission of the SMC. The contents of this material are general and are neither comprehensive nor inclusive. Neither SMC nor any of its affiliates, associates, representatives, directors or employees shall be responsible for any loss or damage that may arise to any person due to any action taken on the basis of this Research Report. It does not constitute personal recommendations or take into account the particular investment objectives, financial situations or needs of an individual client or a corporate/s or any entity/s. All investments involve risk and past performance doesn't guarantee future results. The value of, and income from investments may vary because of the changes in the macro and micro factors given at a certain period of time. The person should use his/her own judgment while taking investment decisions.

Please note that SMC its affiliates, Research Analyst, officers, directors, and employees, including persons involved in the preparation or issuance if this Research Report: (a) from time to time, may have long or short positions in, and buy or sell the commodity thereof, mentioned here in or (b) be engaged in any other transaction involving such commodities and earn brokerage or other compensation or act as a market maker in the commodities discussed herein(c) may have any other potential conflict of interest with respect to any recommendation and related information and opinions. All disputes shall be subject to the exclusive jurisdiction of Delhi High court. All disputes shall be subject to the exclusive jurisdiction of Delhi High court.