

SPECIAL MONTHLY REPORT ON

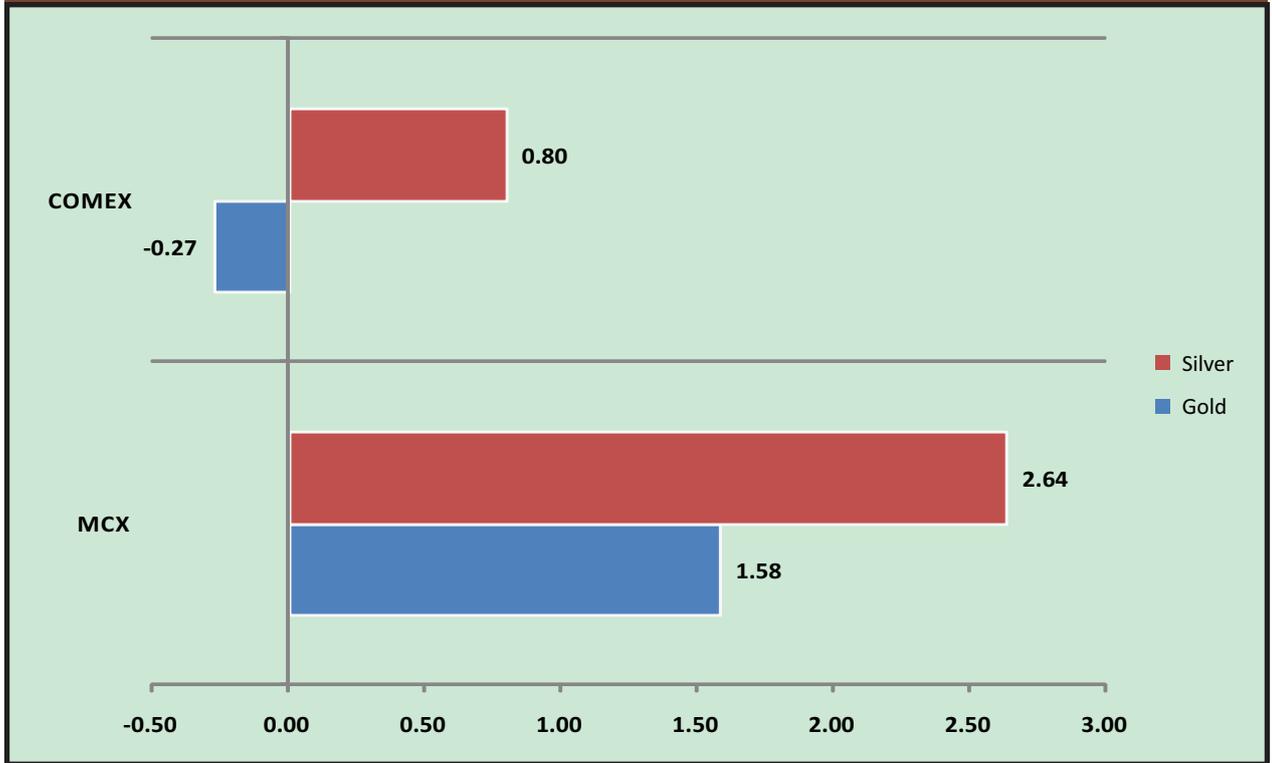
Bullions

(May 2018)

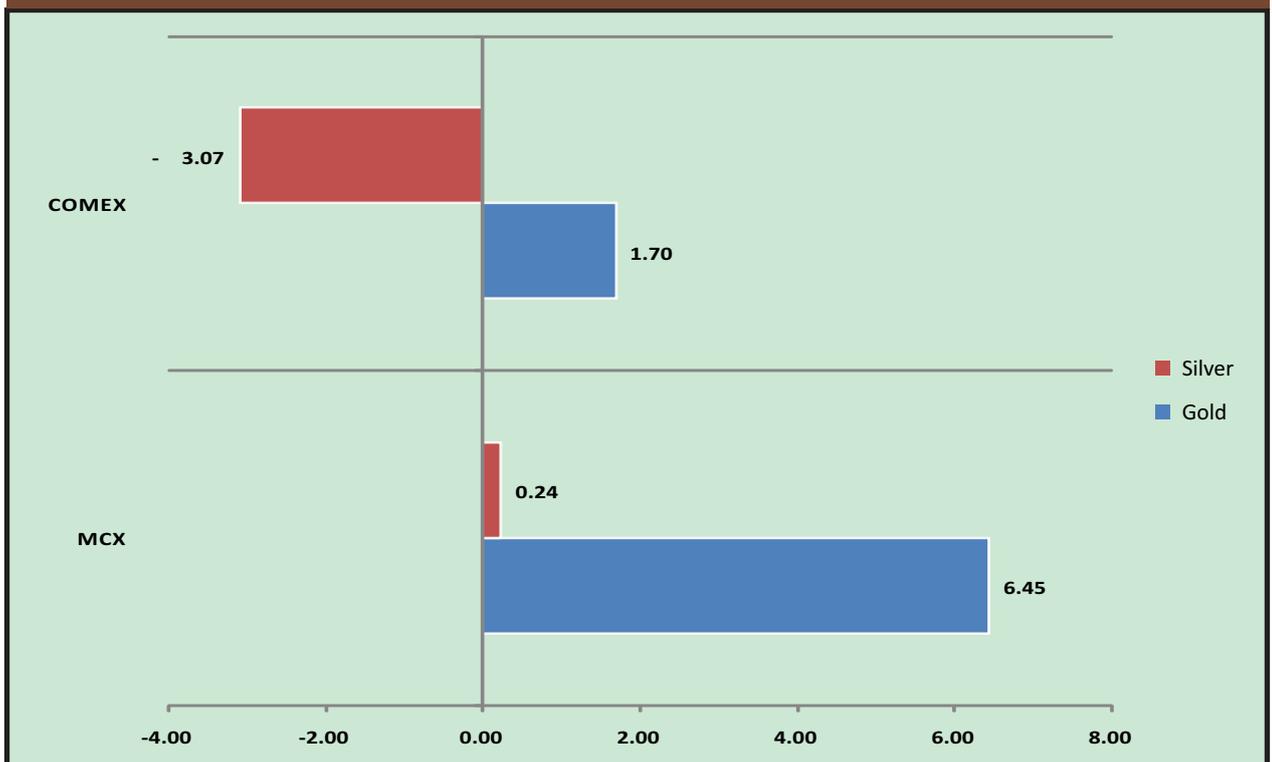


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BULLIONS PERFORMANCE (April 2018) (% change)



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



BULLIONS

Overview

In the month of April, 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 latter half of the month prices nosedived sharply on sharp recovery in greenback and easing of trade war tensions. Overall gold traded in range of 30350-31620 in MCX and \$1310.70-1365.8 in COMEX. Silver traded in range of \$16.22-17.38 in COMEX and 37940-40769 in MCX. On domestic bourses weaker local currency also boosted the prices in MCX. Local currency rupee moved in range of 64.84-66.97. Last month rising yields in US pressurized the gold as rising yields make gold a less attractive investment because it does not draw interest. Recently tensions between US and North Korea eased last month as US President Donald Trump hoped a summit with North Korean leader Kim Jong Un would be successful. Meanwhile, Iran warned that United States last month of "unpleasant" consequences if Washington pulls out of a multinational nuclear deal. A 15-20 percent rise in purchases of gold jewellery was witnessed across the country on the occasion of Akshaya Tritiya, a day-long festival when gold buying turns auspicious last month. Gold consumption in China in the first three months of this year fell 5.44 percent to 284.97 tonnes from a year earlier. According to IMF, Kazakhstan raised gold holdings by 3.1 tonnes to 310.1 tonnes in March, while Argentina lowered gold holdings by 6.8 tonnes to about 55 tonnes during the same period.

Outlook

In the month of May, bullions may remain under pressure due to surge in greenback, reduced safe haven demand and easing of trade war tensions between US and China coupled with stability in Korean peninsula. The gold/silver ratio can move in range of 77-83 in near term. On domestic bourses the local currency can show some strength after depreciating sharply in the month of May. Recently tensions in Korean peninsula have also eased which has reduced safe haven demand of yellow metal. Last week North Korean leader Kim Jong Un and South Korean President Moon Jae met in the first summit for

the two Koreas in over a decade. ECB Chief Mario Draghi denied any concerns over softness in the euro zone economy last week as the ECB sought to bolster expectations for a gradual withdrawal of the ECBs monetary stimulus. Rising concerns about the U.S bond yields as the 10 year yield edged above 3% also pressurized the bullions. The jitters grew about growing federal borrowing spurred more selling in the U.S government bonds, paving the path for it to visit levels not seen since July 2011. China's gold appetite remains strong as net gold imports via Hong Kong jumped 78.67 percent in March from the previous month.

Gold can remain under pressure in the month of May as it can face resistance near 31200 which can be used as selling opportunity towards 30500, while silver can trade sideways as it can face resistance near 40800 and support near 38400.

Key News

Uncertainty regarding trade war between US and China to keep investors jittery

Senior US officials arrived in Beijing for trade talks with China starting on May 3, as both sides dampen expectations for a quick resolution to the heated dispute between the world's two largest economies. At stake are tariffs on billions of dollars of US and Chinese goods, which, if imposed, could put a dent in humming global economic growth. To avert a trade war, US Treasury Secretary Steve Mnuchin and other members of President Donald Trump's economic team will need to back down this week from key demands they have made of their Chinese counterparts and accept market liberalisation as a starting point, US policy experts said.

Gold's first quarter global demand worst since 2008: WGC

Gold demand had a soft start to 2018, reaching 973 tonnes (t), the lowest first quarter since 2008, according to data released by World Gold Council. This was largely caused by a fall in investment demand for gold bars and gold-backed exchange-traded funds (ETFs), as a subdued gold price environment hampered demand.

Global jewellery demand was roughly flat at 488t, down 1 per cent on Q1 2017. Demand in China was buoyed by holiday demand, and US demand continued to improve in response to the supportive economic backdrop. In contrast, Indian consumers were discouraged by rising gold prices, exaggerated by a weakening rupee, with demand down 12 per cent compared with 2017.

China, Germany and the US drove weakness in bar and coin investment: global demand was down 15 per cent to 254.9t. The range-bound gold price undermined investor interest in these markets, although China's weakness was partly due to exceptional strength in Q1 2017.

ETFs saw their fifth consecutive quarter of inflows. Holdings grew by 32t, due solely to growth in North America.

Central banks added 116t to global official reserves in Q1 2018. This was the highest Q1 total for four years and in line with average quarterly purchases since Q1 2010 of 115t.

Russia, Turkey and Kazakhstan again dominated the list of central banks buying gold, adding 91t between them.

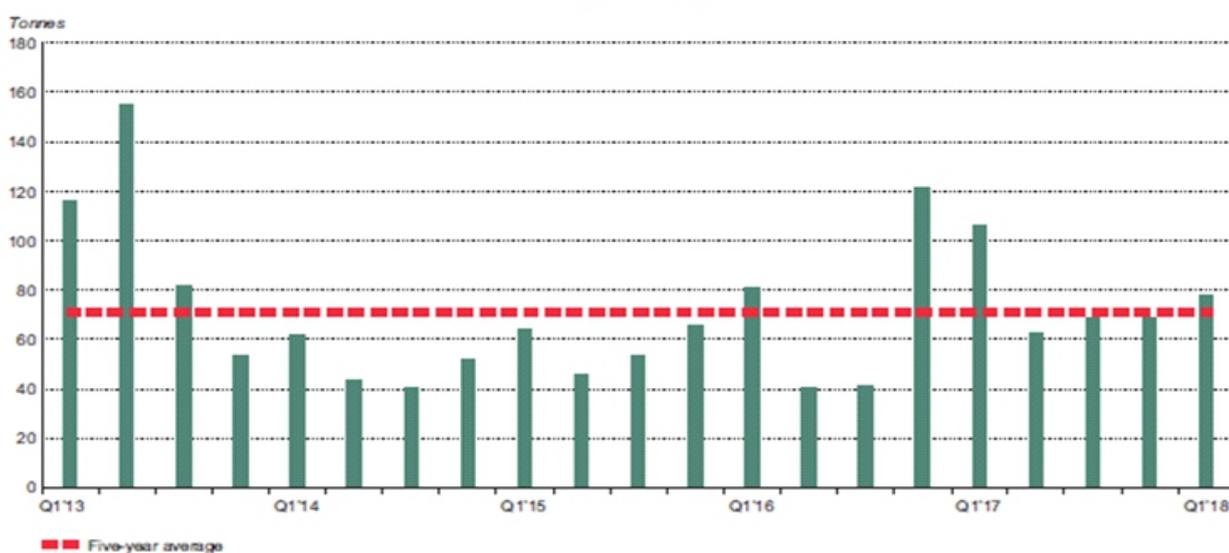
Demand for gold in the technology sector continued to improve, up 4 per cent on Q1 last year. The wireless

sector was a key area of growth as 3D sensors for facial recognition were increasingly deployed in smartphones, gaming consoles and security systems.

Fed Holds Rates Steady and Stays on Track for June Increase

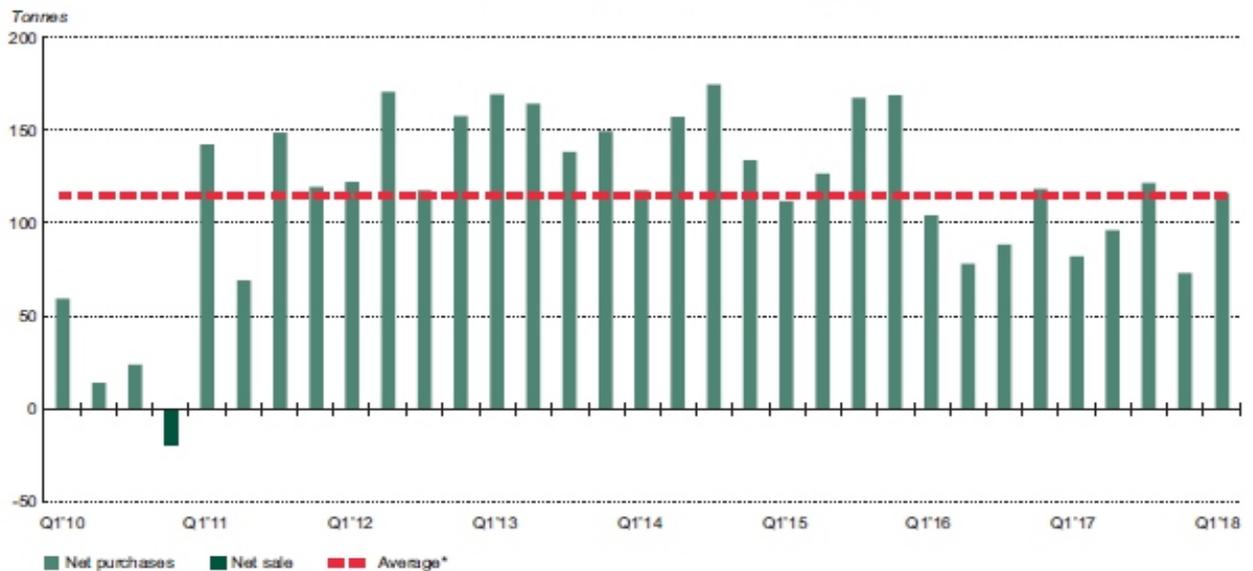
The Federal Reserve held interest rates steady at the conclusion of its two-day policy meeting on 2nd May and acknowledged rising inflation, but it gave little indication that officials are worried about a sudden, rapid escalation in prices or an abrupt slowdown in economic growth that could alter its gradual pace of rate increases. The Federal Open Market Committee's unanimous decision not to raise rates so quickly after a March increase had been widely expected. The official statement from the committee gave no indication that Fed officials plan to raise rates faster than previously telegraphed. Officials made only a few changes to the language they had used after their March meeting to describe inflation and growth. Most notably, they acknowledged that "on a 12-month basis, both overall inflation and inflation for items other than food and energy have moved close to 2 percent," which is the central bank's stated target for inflation.

China's Q1 bar and coin demand was relatively healthy



Analysis: Demand in China, the world's largest bar and coin market, fell 26% y-o-y to 78t. This is largely because investors' worries around the strength of the yuan, which saw them flock to gold to protect their wealth twelve months ago, have eased. Since the end of March 2017, the yuan has appreciated by around 9%.

Central banks added 116t to reserves, matching long-term average purchases



*Quarterly average between Q1'10-Q4'17.

Source: Metals Focus; GFMS, Thomson Reuters; World Gold Council

Analysis: Net central bank purchases totalled 116.5t in Q1, 42% higher y-o-y and the highest Q1 total since 2014. Since becoming net buyers in 2010, central banks have bought – on average – 114.9t per quarter. Net purchases have become more concentrated since the 2013 peak: Russia, Turkey and Kazakhstan collectively account for nearly 50% of net purchases over the last five years.

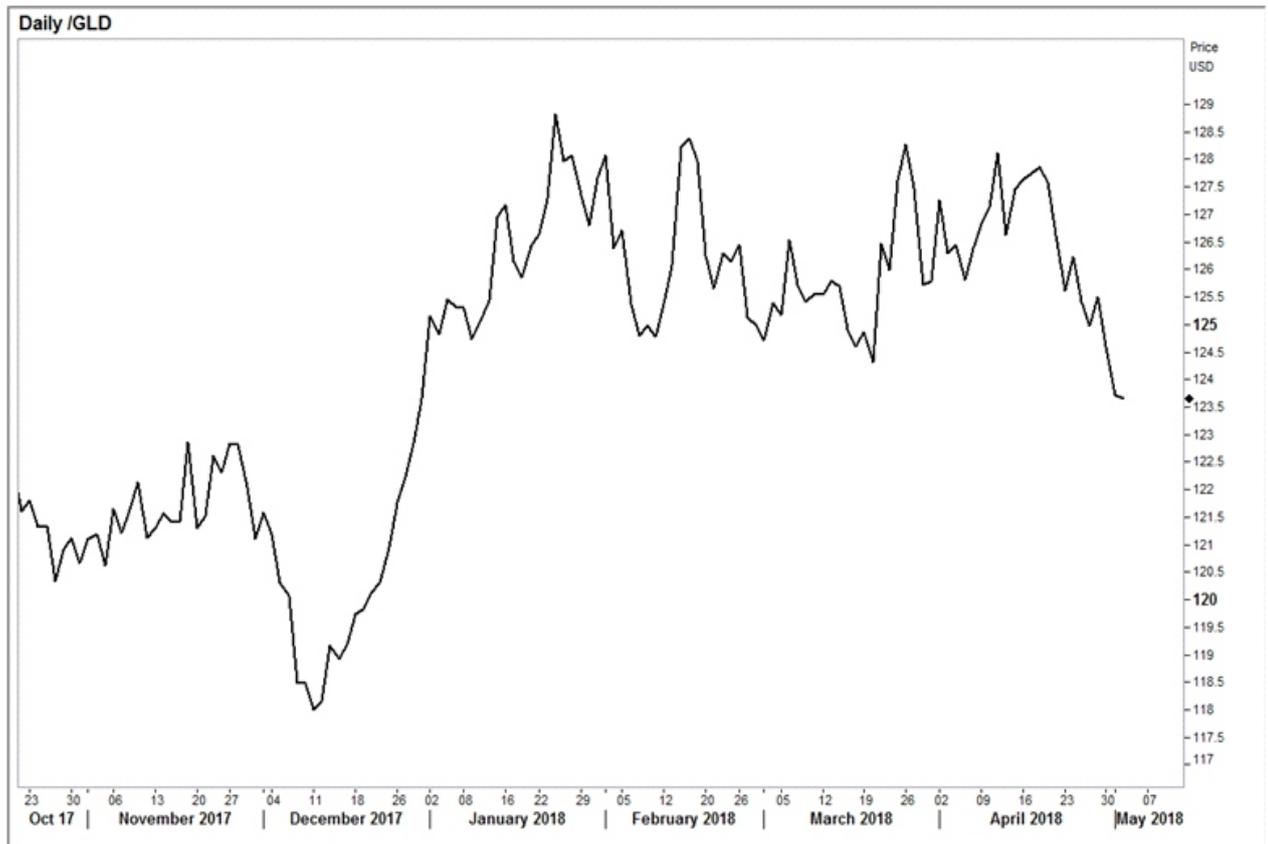
Gold Silver ratio



Source: Reuters and SMC Research

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

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 \$122.50 -125.5 recently.

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