

SPECIAL MONTHLY REPORT ON

BULLIONS

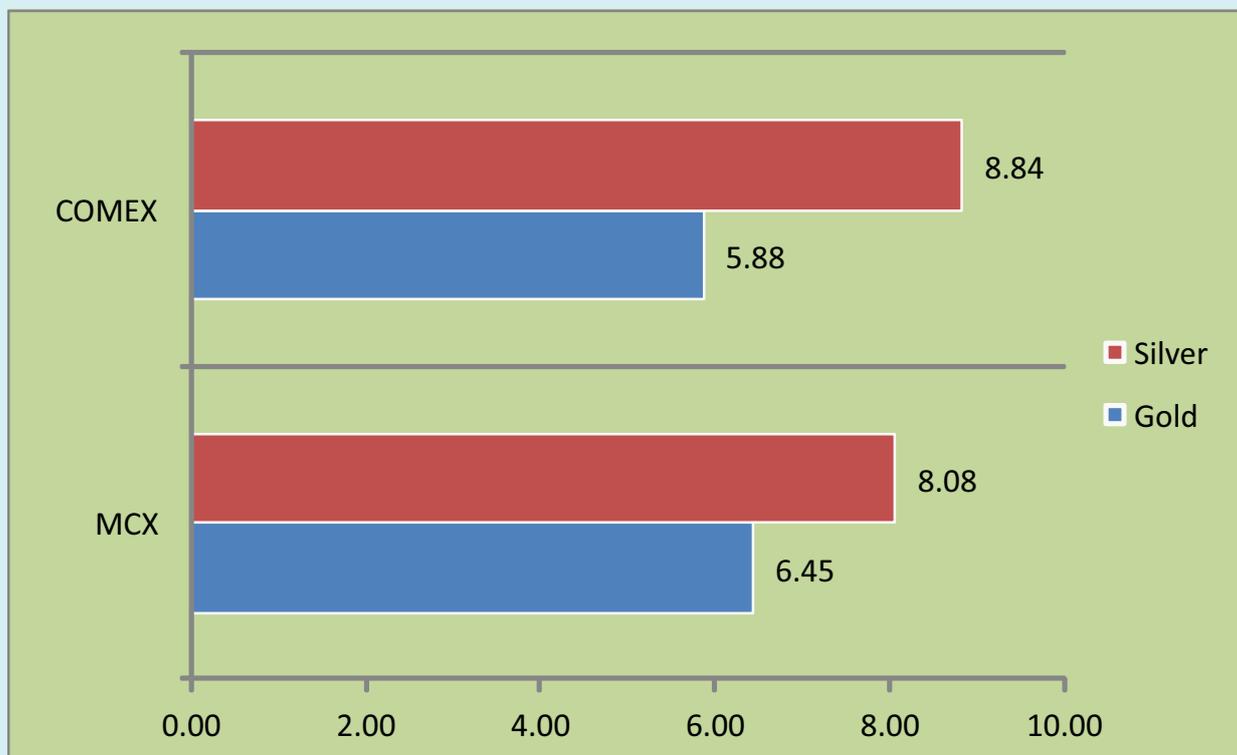
MARCH 2022



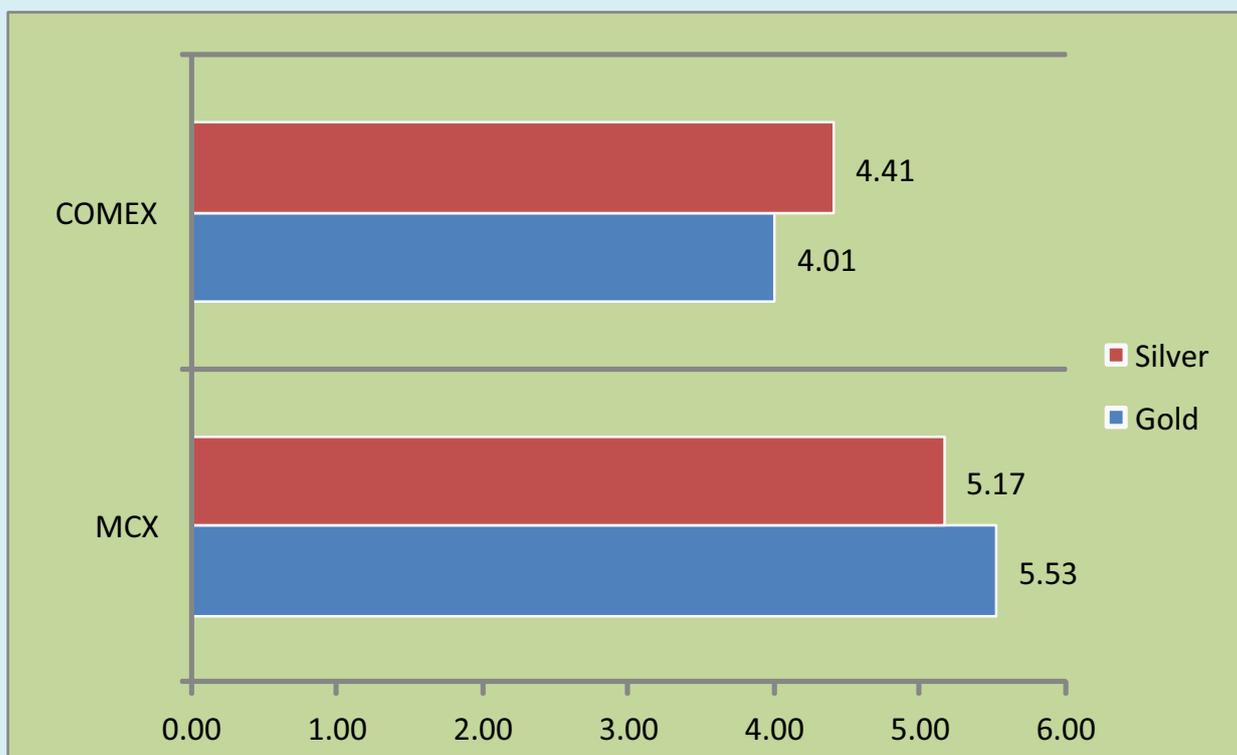
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BULLIONS PERFORMANCE (February 2022) (% change)



BULLIONS PERFORMANCE (January - February 2022) (% change)



Source: Reuters & SMC Research

After witnessing worst monthly performance in January since September 2021, the bullions prices jumped in last week of February and closed the month in green with almost 6% upside across the board. The conflict between Russia and Ukraine is driving safe-haven demand for the metal. Investors also weighed the impact of sanctions imposed against Moscow on global inflation and growth. Disruptions to supplies from grain, energy and metals are adding to upward price pressures, at a time the Federal Reserve is preparing to raise interest rates. Analysts feared that inflationary pressures could threaten growth prospects and present a challenge for policymakers, prompting investors to hedge with bullion. Moreover, gold benefited from falling US Treasury yields despite a strengthening dollar.

Outlook

Looking ahead in March, this is the historic time when we have see high risk premium in gold. Now we have to give close look on war situation. If it intensify then more ban and sanctions will come. It will ultimately give negative impact on riskier assets and if the correction in equity continue then gold will take the benefits of doubt and vice a versa. If peace talk between Ukraine and Russia happens then the war premium in gold will come down sharply and we may see sharp fall. So we should keep an eagle eye in war development. Furthermore, in the month of March, Fed is expected to increase the interest rate at least by 25 bps. It will give a knee jerk reaction. Russia is urging for aggressive buy in gold which will keep it attractive. back at home, INR depreciated recently and higher crude prices and correction in equity will keep it on deprecation side only so lower side will be capped in the market.



Source: Reuters

March 2022

Gold Price movement in COMEX



Source: Reuters

Silver Price movement in MCX



Source: Reuters

BULLIONS

Silver Price movement in Comex



Source: Reuters

In March, Gold may trade in range of 49000-54500 and Silver may also witness huge volatility and trade in the range of 62500-68900 levels. On COMEX gold may trade in range of \$1850-\$2050 and Silver may trade in range of \$23.50-\$27.00.

Major News

- Russia-Ukraine crisis worsening:** The Ukraine story is positive for gold. Worsening geopolitical tensions over Ukraine has bolstered the safe-haven appeal of bullion. Russia-Ukraine has intensified as Russian missiles have rained down upon Ukraine’s second-largest city, Kharkiv, and a column of Russian troops and military vehicles 17 miles in length edges closer to the capital city of Kyiv. The European Union, United States, Japan, and Canada have formed a coalition to pressure Putin to cease his military action. But sanctions have hardened Vladimir Putin, causing him to accelerate the invasion.
- Rising inflationary pressure globally :** The financial repercussions from Russia-Ukraine conflict have sent ripples through the financial markets, with global equities having major declines and crude oil now priced above \$104 per barrel. Russia’s military action has increased inflationary pressures worldwide. Before the invasion inflation was at a 40-year high at 7.5% in the United States, the combination of crude oil priced over \$100 per barrel and spiraling food costs most certainly will increase inflationary pressures worldwide. This will provide some support to bullion as hedge against inflation.
- Decision of Federal Reserve:** Russia’s invasion of Ukraine has injected new uncertainty into the economic outlook but is unlikely to derail the Federal Reserve’s plans to begin raising interest rates from March, as it seeks to

combat the highest inflation in 40 years. The Federal Reserve on January 26 said it is likely to hike interest rates in March and reaffirmed plans to end its bond purchases that month in what U.S. central bank chief Jerome Powell pledged will be a sustained battle to tame inflation. Fears that the conflict will worsen inflation is likely to motivate the Fed to plough ahead in roughly two weeks with the first interest rate increase since 2018.

- **Gold buying by central banks:** Central banks around the world are increasing the gold they hold in foreign exchange reserves, bringing the total to a 31-year high in 2021. Russia's central bank announced that it would resume its gold purchases from the domestic market as it attempts to establish some financial stability amid a barrage of new sanctions following Moscow's full-scale invasion of Ukraine. However, some analysts warn that Russia's additional gold purchases could be just a precursor to significant selling. The fear of Russia selling its gold reserves in large quantities will weigh heavily on the market going forward, especially if the ruble continues to plunge.
- **Rising inflow of ETFs:** Data from Refinitiv Lipper showed gold and other precious metal ETFs have seen an inflow of \$4.7 billion this year, after witnessing outflows worth \$7.8 billion last year. The SPDR Gold Shares led with inflows worth \$3.2 billion, while iShares Silver Trust and iShares Gold Trust received over \$400 million each. Also, physical gold held by exchange-traded funds has risen 2.1% to 69.5 million ounces this year, according to data from Refinitiv.

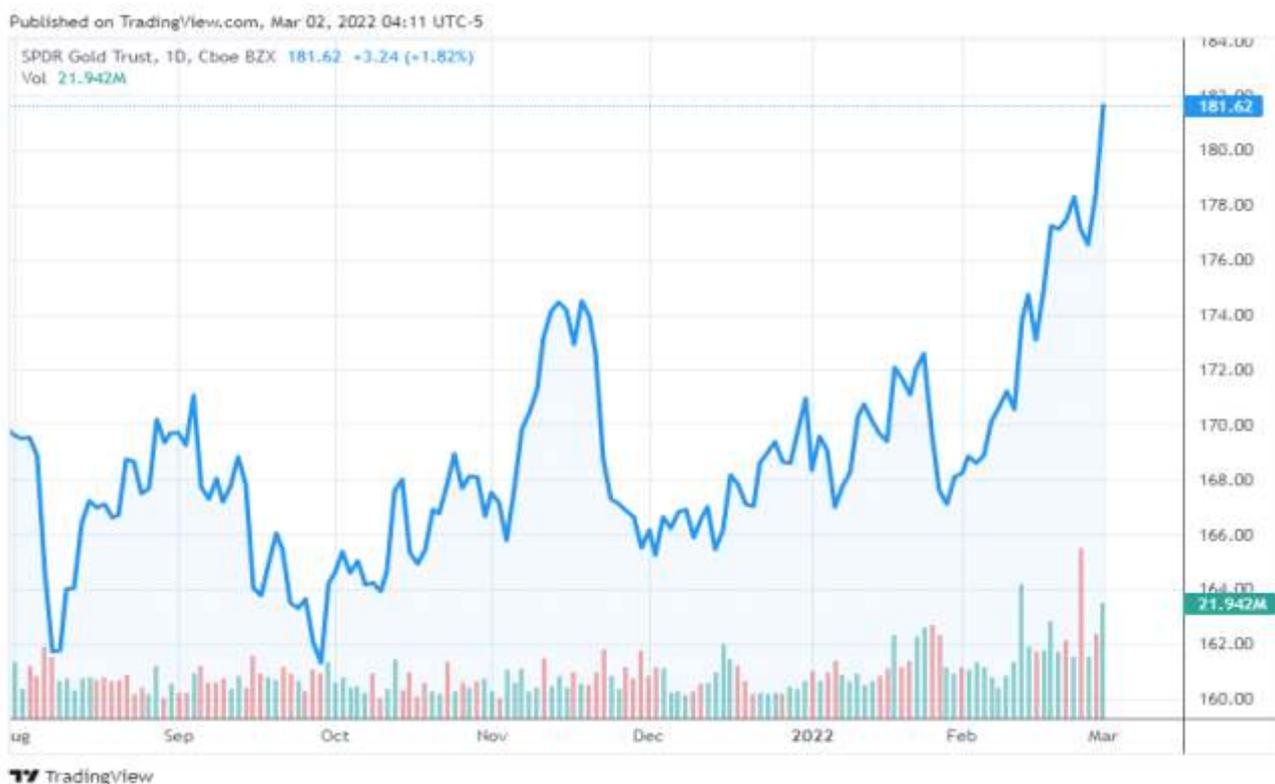
- **Silver Demand**

In recent years, with increasing industrial applications, the importance of silver stands enhanced. The metal exhibits the highest electrical conductivity, thermal conductivity, and reflectivity of any metal. Admittedly, 2020 and 2021 were not good years for the metal because of slowing industrial production. Disrupted supply chains, raw material bottlenecks and markedly higher energy costs adversely impacted industrial output. As much as 50 percent of silver demand is accounted for by industrial use.

The Silver Institute estimates that silver demand from the automotive industry will reach 88 million ounces by the middle of this decade (up from just over 60 million ounces in 2021). In 2040, electric vehicles could even devour almost half of the annual silver supply (currently, a good 1 billion ounces).

The installation of solar systems too is driving demand for silver higher. The photovoltaic sector is currently demanding around 100 million ounces of silver annually. Some experts forecast an increase in silver demand to 185 million ounces over the next ten years from the photovoltaic industry.

SPDR Gold trust holding



Analysis: Analysis: SPDR gold share may trade in the range of 175-185 in near term.

Source: goldprice.org

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