

SPECIAL MONTHLY REPORT ON

BULLIONS

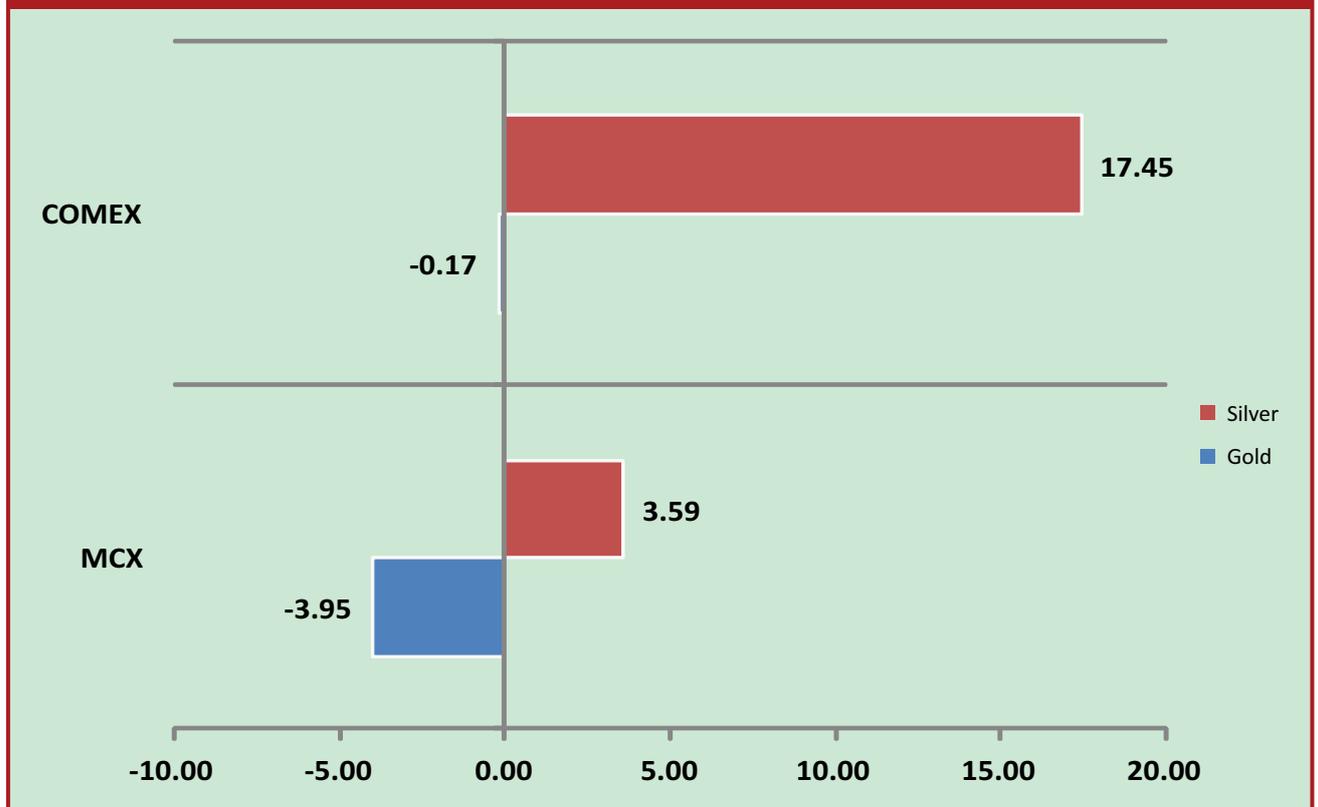
SEPTEMBER 2020



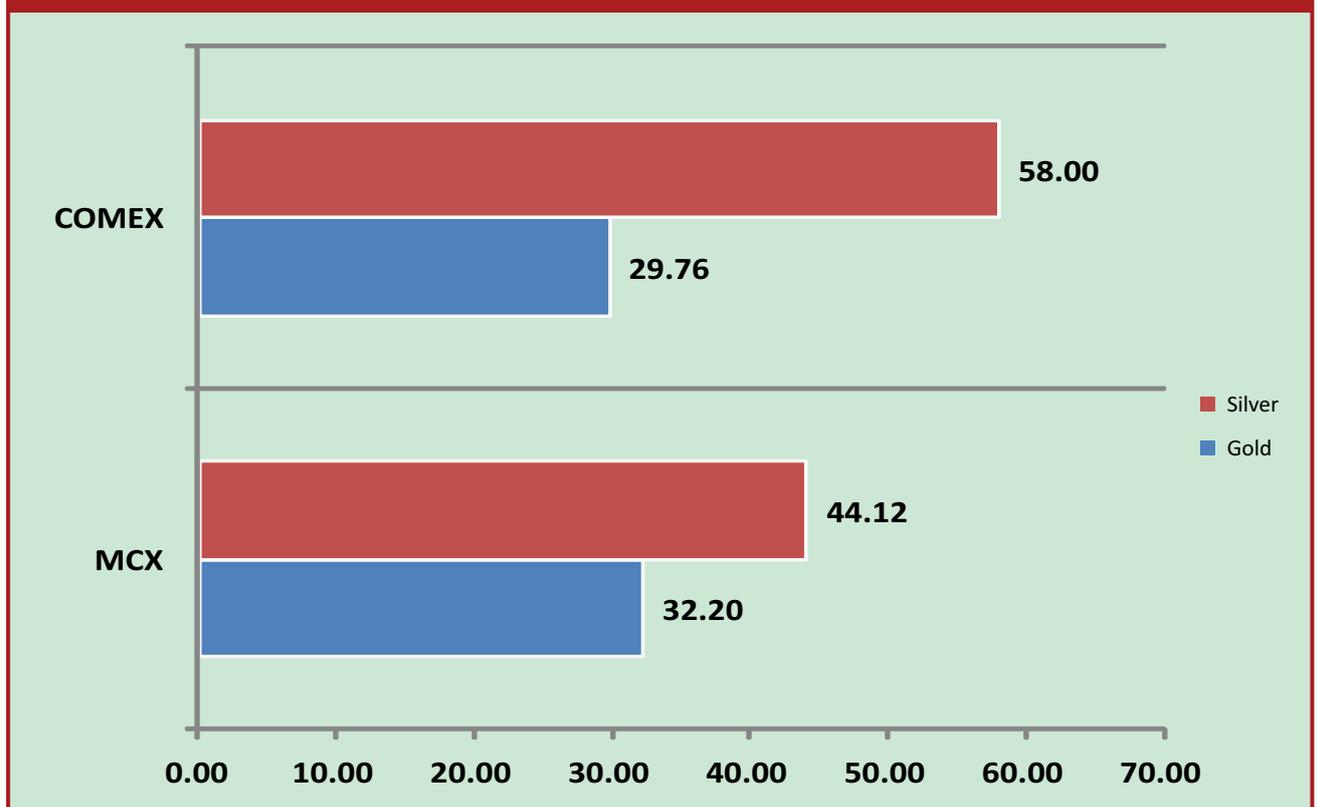
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BULLIONS PERFORMANCE (August 2020) (% change)



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



BULLIONS

Overview

We have noticed one important change in 2020 so far that Comex gold has clearly outperformed MCX gold. Recent sharp appreciation in INR has limited the upside in domestic market. In the month of August, gold prices closed a bit lower near 0.4%, the first monthly loss in 6 months, after a volatile month during which it hit an all-time peak of \$2,072.49 before consolidating below the key technical level of \$1,900 as investors reassessed their positions from the record run. The prices had entered in a period of consolidation after a historic surge prompted at least in part by the public-health crisis, alongside a bout of weakness in the U.S. dollar, and the low yields being offered by government debt. But silver prices climbed by 18%. Overall, bullion continues to be viewed as a haven in the face of the COVID-19 pandemic, and the precious metal drew increased attention after the Federal Reserve said it is shifting to a policy of average inflation targeting, which would effectively see policy makers end the practice of pre-emptively hiking interest rates to stave off inflation. That setup is viewed as a bullish for gold, which is viewed as a hedge against rising inflation. Silver prices have also surged, jumping to \$28.44, the highest since April 2013 and were last to \$26.60. It has now risen more than 50% this year, outperforming even gold.

Outlook

In Aug Bullion counter may continue to trade with bullish bias driven by growing concerns over the global economic recession, 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. Potential dovish policies from the U.S. Federal Reserve and structural problems in the U.S. economy can take the dollar even lower and this added to the already existing uncertainties makes gold even more attractive. Real rates should ease further and lift gold, but ambiguity over the Fed's September meeting is a risk. Experts are divided over the outlook for gold and silver futures as some expect strong equity markets to lure investors, while others felt that continued weakness in dollar and the rising cases of Covid-19 will strengthen the precious metal's safe-haven appeal.

Major News

- **Tension between US-China:** Gold is also supported by rising virus cases globally and renewed worries about US-China tensions. Trump administration has already accused China of failing to control, as well as accusations of espionage, intellectual property theft and human rights violations. US-China tensions have cast a cloud over trade deal even as both sides remain committed to meet their obligations. The United States on Wednesday blacklisted 24 Chinese companies and targeted individuals it said were part of construction and military actions in the South China Sea. The United States said that it was establishing a new bilateral economic dialogue with Taiwan, a decision that could worsen relation between Washington and Beijing as China claims Taiwan as its own territory.
- **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. Global coronavirus cases surged past 25 million till 30th August, according to a Reuters tally, as India marked a worldwide record for daily new cases in the COVID-19 pandemic.
- **Decision of Federal Reserve:** There was some confusion in the gold market following Federal Reserve Chair Jerome Powell's keynote address at the virtual Jackson Hole. Powell introduced a new approach to setting

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

BULLIONS

Looking ahead in Sep, Bullion counter may continue to trade with bullish bias. Nevertheless there are chances that it may also witness some selling from higher levels, but any dip towards support considered as buying opportunity. Silver is expected to be very volatile & may again witnessed that silver outperform gold. Gold may trade in range of 49000-54000 and Silver may trade in range of 62000-73000. Whereas on COMEX gold may trade in range of \$1900-\$2050 and Silver may trade in range of \$25.00-\$29.00.

monetary policy, which lets inflation and employment run higher. The Fed will now seek inflation, which averages 2% over time, ensuring that interest rates remain low for years to come. The US dollar came under renewed pressure as market players assessed US Federal Reserve's move to alter its inflation strategy. Fed's stance is negative for the US dollar and positive for gold, however, the central bank did not give much detail on how it will achieve the 2 percent target. Powell did not also repeat the Fed's pledge to continue with asset purchases, a refrain he had stuck to for months as the central bank held rates to near-zero while setting aside more than \$1 trillion from its own balance sheet to help steer the economy through the pandemic.

- **Gold on discount:** Dealers in India offered the highest discounts on gold in five months as a dip in domestic prices failed to revive demand, while in top consumer China prices remained at a sharp discount to the international market. In India discounts of \$43 an ounce were offered over official domestic prices, the highest since the last week of March, versus \$20 discounts on week ended on 28th August. The domestic price includes a 12.5% import and 3% sales taxes. Chinese discounts eased to \$60-\$70 an ounce against international spot gold rates, which traded in a \$1,902.22-\$1,976.03 range. Chinese discounts hit a record \$75-\$100 earlier in August. In Hong Kong, gold was sold at anywhere between a discount of \$0.50 to a \$1.50 premium over global prices.
- **Digital gold in demand:** Investments in digital gold, which people can buy for as low as Re 1, too has gone up with the yellow metal seen as a safe haven amid a global economic downturn caused by Covid-19. Online sale of gold and jewellery has picked up in the country amid the pandemic with retailers taking to new technologies to offer virtual jewellery trial through augmented reality and video calls with store staff.

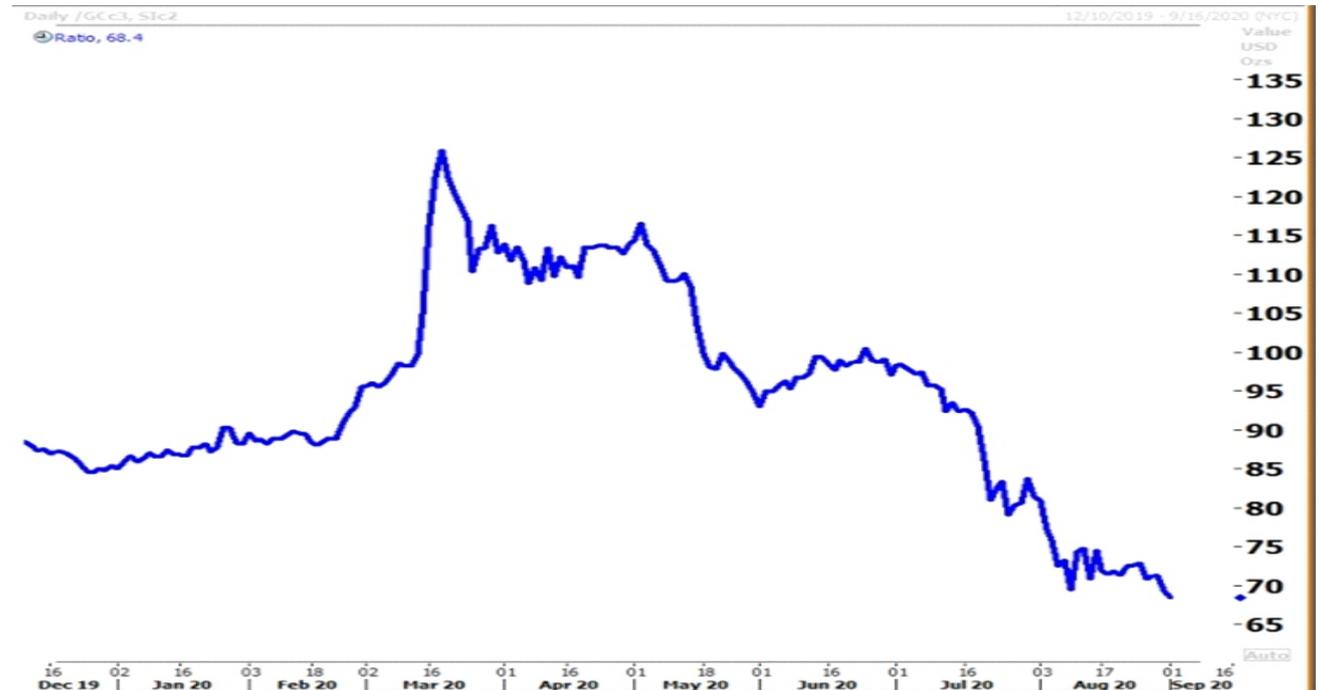
Global gold demand sinks in Q2, 2020

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 84 to below 69 level as Silver outperformed gold. In September it trade in the range of 60-75.

SPDR Gold trust holding



Source: goldprice.org

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

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