SPECIAL MONTHLY REPORT ON

BULLIONS

MAY 2022

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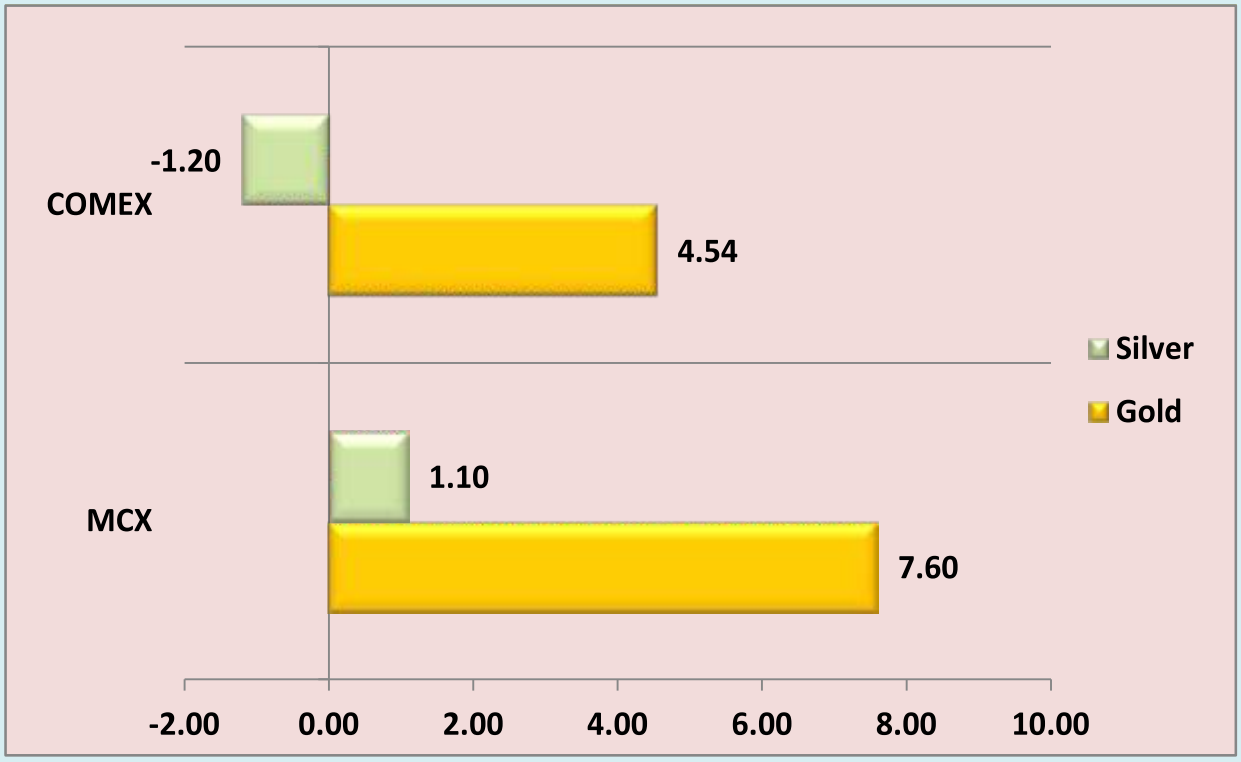
BULLIONS

BULLIONS PERFORMANCE (April 2022) (% change)

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



Source: Reuters & SMC Research

Gold prices registered its first monthly drop since January with almost 2% downside and Silver prices fell more than 8% in Comex on bets of aggressive policy tightening by the U.S. Federal Reserve. However, on MCX gold prices closed the month almost flat as depreciation in rupee provided much needed support to the prices. However silver lost more than 6% On MCX as bearishness in base metal weigh on the white metal. Bullion prices were hit with some significant selling pressure as the U.S. dollar index has pushed to nearly a 20-year high. Rising inflation and U.S. labour costs, most in 21 years in the first quarter, are pointing to rising wage inflation and supporting the Federal Reserve`s aggressive monetary policy stance.

Outlook

Looking ahead in May, gold & silver prices will continue to trade with high volatility on different reasons such as, sky-high inflation, potential recession, and other geopolitical and economic repercussions of the Russia-Ukraine war or higher yields and stronger dollars thanks to monetary tightening by the Fed. The markets focus now shifts to the U.S. central bank`s two-day policy meeting starting on May 3, with officials expected to increase the target policy rate by half a percentage point and it could be 75 basis points in July. But any neutral or dovish tone from the central bank could send the U.S. dollar lower, propelling gold prices higher. Furthermore, high risk premium was discounted now. However, the more than nine week long Ukraine-Russia crisis is not going to end as negotiations aimed at ending the war between them were continuously failed and Ukraine are bracing for further attacks. If peace talks between Ukraine and Russia materialised 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.

Weekly gold price movement in MCX

Source: Reuters

BULLIONS

Weekly gold price movement in Comex

Source: Reuters

Weekly silver price movement in MCX

Source: Reuters

Weekly silver price movement in Comex

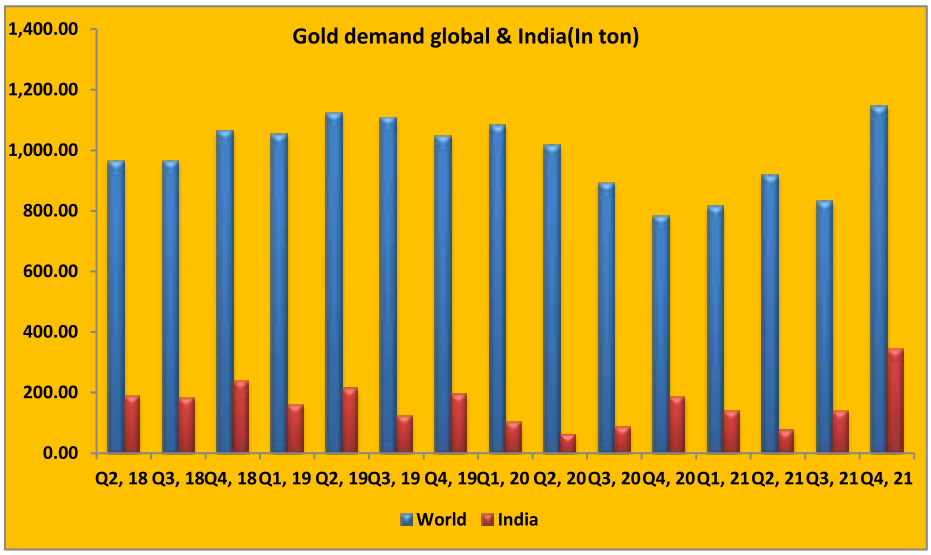
Source: Reuters

In May, Gold may trade in range of 49000-52500 and Silver may also witness huge volatility and trade in the range of 61500-65000 levels. On COMEX, gold may trade in range of $1830-$1920 and Silver may trade in range of $21.50-$24.00.

Major News

- The Ukraine story is positive for gold. The uncertainty surrounding the Russia-Ukraine conflict is still continue. Worsening geopolitical tensions over Ukraine has bolstered the safe-haven appeal of bullion.
- 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. Since the largest components of spiraling inflation are energy and food costs, the war in Ukraine had a significant impact on moving inflation higher. This will provide some support to bullion as hedge against inflation.
- The U.S. economy had a major contraction during the first three months of this year due to a resurgence in Covid 19 and a decline in government stimulus. This is the first decrease in U.S. GDP in approximately two years.

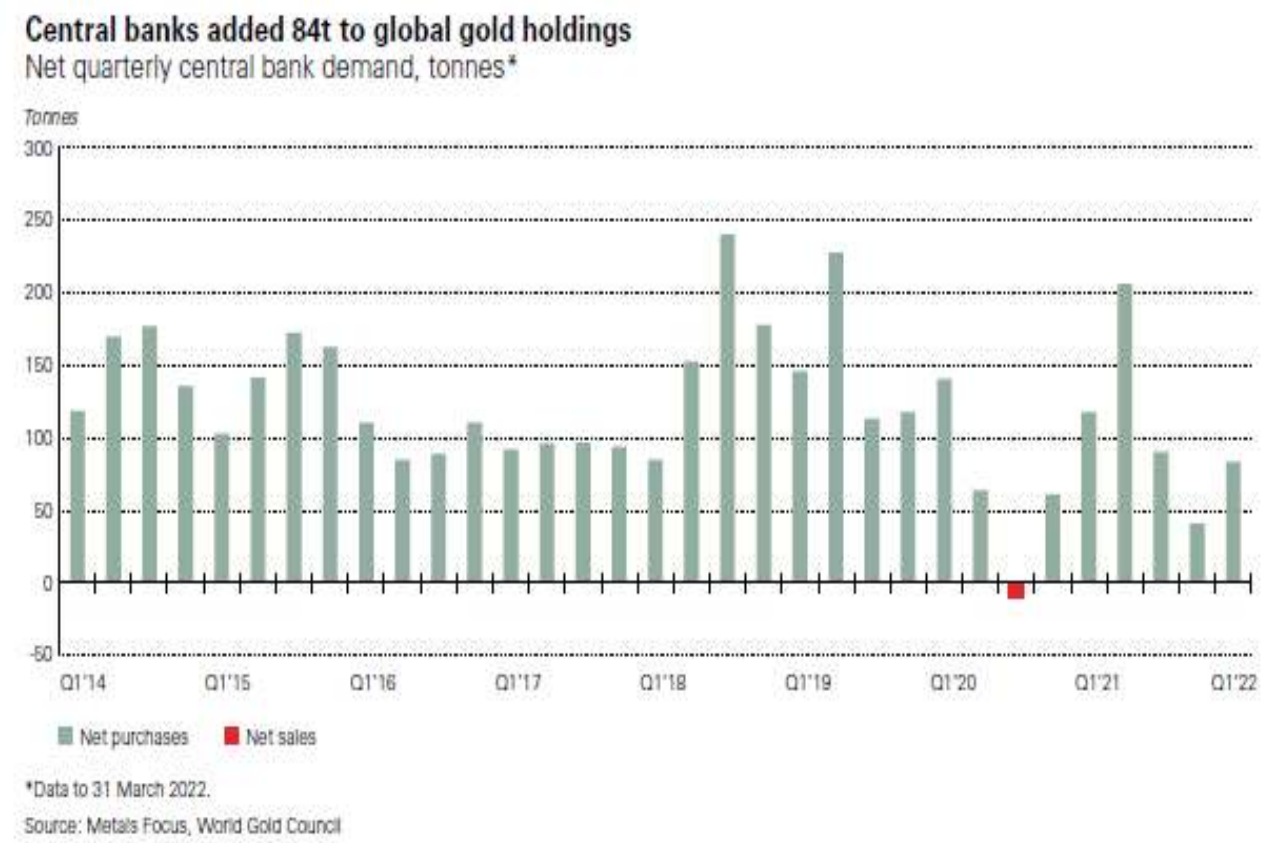
- According to the CME's FedWatch tool, there is a 99.1% probability that the Federal Reserve will announce ½ a percent rate hike. The speed at which the Federal Reserve will raise interest rates in an attempt to play catch-up to the spiraling level of inflation provides bearish market sentiment for gold.
- The Russian central bank has restarted buying gold from banks and will pay a fixed price of 5,000 roubles ($52) per gram between March 28 and June 30, the bank said. The central bank, which suspended gold purchases from banks in mid-March to meet increased demand for the precious metal from households, said the resumption of buying would help ensure sustainable supply and the uninterrupted functioning of gold producers.
- As per World Gold Council (WGC) report, global gold demand witnessed 1,234 tonnes during January-March quarter, as compare to 919.1 tonnes during the first quarter of 2021.
- Gold ETFs had their strongest quarterly inflows of 269 tonnes since the third quarter of 2020, more than reversing the 173 tonnes annual net outflow from 2021.
- India's gold demand declined 18% to 135.5 tonnes in the first three months of this year, mainly due to a sharp rise in prices.



Source: WGC

Gold buying by central banks

- Central banks bought 84 tonnes of gold in the first quarter of 2022, 29 per cent lower than Q1 2021, which was 117.5 tonnes, central banks continue to value gold's performance during times of uncertainty.

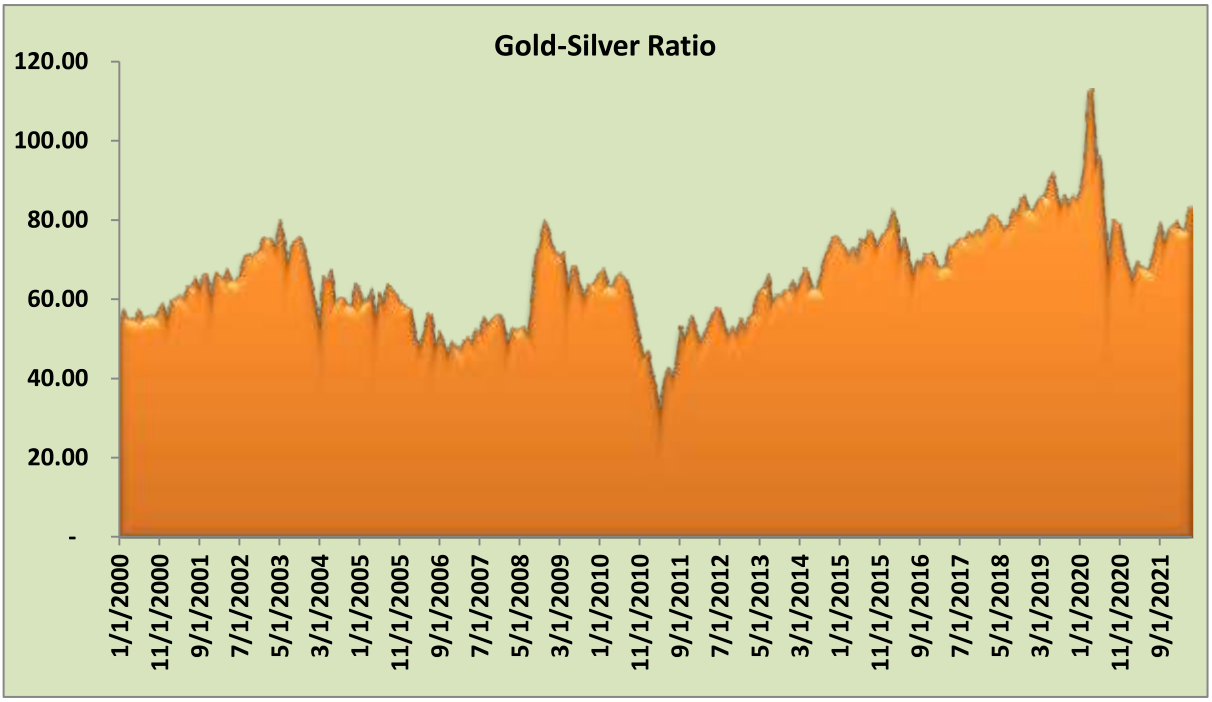


YOY performance of MCX Gold on auspicious day of Akshaya Tritiya

Auspicious day of Akshaya Tritya		
Year	**MCX Closing Price**	**Change (from Previous Year) (in Rs.)**
2013	26854	-2019
2014	28871	2017
2015	26936	-1935
2016	29805	2869
2017	28873	-932
2018	30956	2083
2019	31695	739
2020	46527	14832
2021	47676	1149

Source: WGC

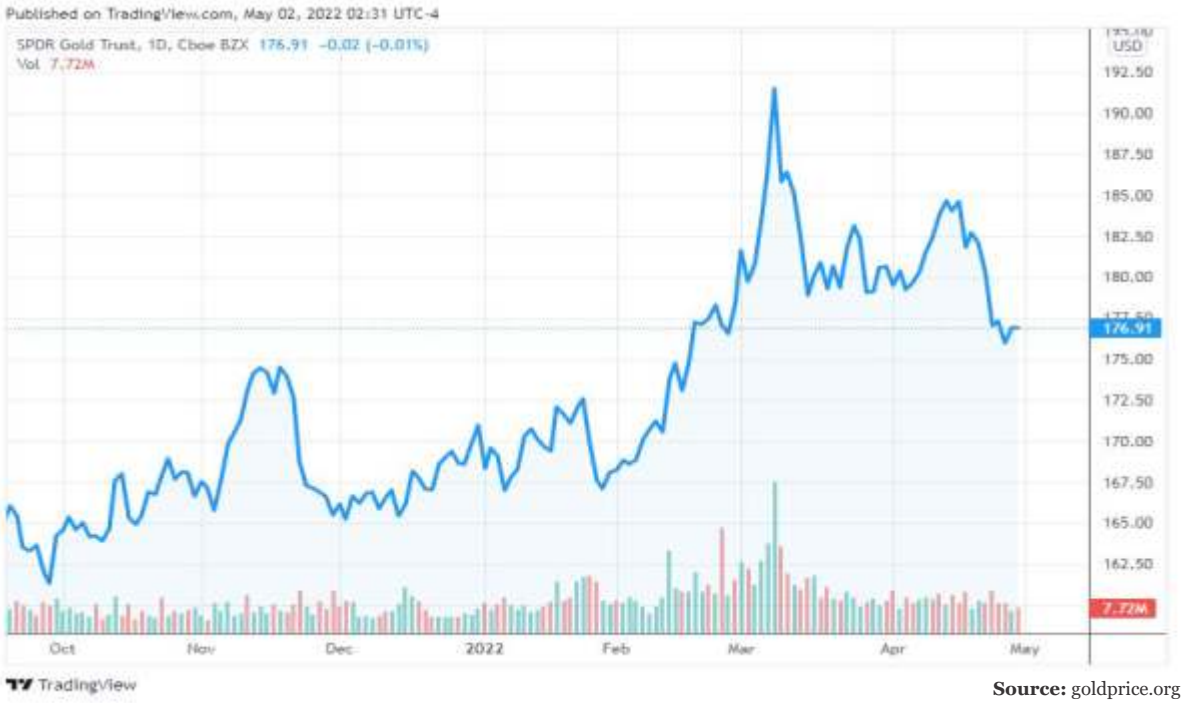
Gold-Silver ratio on COMEX



Source: Reuters

Analysis: In April, gold-silver ratio increased from 78.5 to 83.5 as silver prices fell sharply than gold. Now the ratio may move in the range of 81-85 in May. Near 84.5 it may face resistance. Either fall in gold or sharp rebound from lower level will bring the ratio near 82-81 in short to midterm.

SPDR Gold trust holding



Source: goldprice.org

Analysis: SPDR gold share may trade in the range of 170-185 in near term.

BULLIONS

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