

SPECIAL MONTHLY REPORT ON

BULLIONS

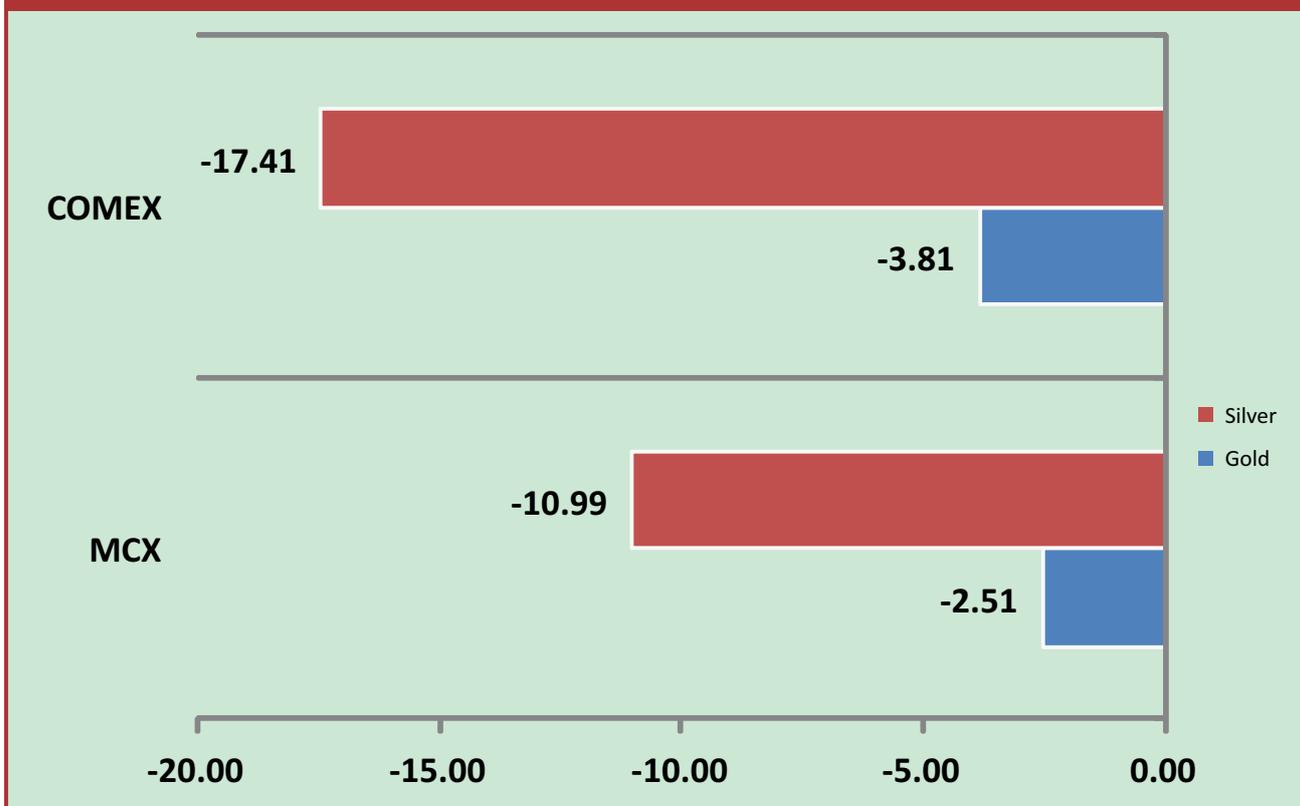
OCTOBER 2020



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BULLIONS PERFORMANCE (September 2020) (% change)



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



BULLIONS

Overview

In the month of September, gold prices closed nearly 4% lower in Comex, the second consecutive monthly loss in 6 months, as the strengthening U.S. dollar had pressurised on commodity prices. It was also biggest monthly drop since late 2016 in September. The prices consolidated in the narrow range of \$1890-\$1923. However gold advanced over 5% over the three-month period ended in September. Meanwhile, in Comex, silver shed nearly 18% in September, but rallied by 26% for the quarter. Resurgence in the greenback is viewed by commodity investors as making purchasing the yellow metal less compelling for overseas buyers and undercutting demand. The dollar was up 1.8% month to date, as measured by the ICE U.S. Dollar Index. A chaotic first U.S. presidential debate turned investors cautious and drove them to seek refuge in the dollar, reducing gold's appeal for other currency holders. The dollar index was set for its best month since July 2019. Gold also failed to take advantage of retreating U.S. stock futures after Trump cast doubt on whether he would accept the election's outcome.

Outlook

In October, bullion counter may continue to trade in the range as 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 may continue to support the counter while we can't deny that it may also witness some selling from higher levels, but any dip towards support considered as buying opportunity. The gold and silver markets both 'need' a stimulus package to 'save' them from a resumption of selling as the uncertainties about \$2.2 trillion corona relief legislation still continue. The odds for gold bears in the mid-term seem to be credible if the U.S election goes smooth as anticipated, coupled with, the introduction of a COVID-19 vaccine and favourable U.S employment data in October, could further take the bears below the \$1,800/ounce price level, as present market indicators show lesser buying pressures in recent weeks amid strong gains recorded on global equities in 2020.

On the flip side, on the long term, odds still favor the precious metal, as growing geopolitical concerns and ongoing US-China tensions suggest uncertainty is an asset that gold traders now readily have abundant at their disposal.

Major News

- **Uncertainty about COVID-19 relief legislation:** Investors are now focused on new U.S. coronavirus relief aid aimed at cushioning the economic blow from the pandemic. U.S. Treasury Secretary Steven Mnuchin said talks with House Speaker Nancy Pelosi made progress on COVID-19 relief legislation, and the House of Representatives postponed a vote on a \$2.2 trillion Democratic plan to allow more time for a bipartisan deal to come together. Slight hopes for a new U.S. financial stimulus package for American citizens and businesses faded after the Democrats and Republicans had a flurry of discussions earlier this week. Many doubt any plan will be agreed upon before the U.S. elections in early November.
- **U.S. presidential election and possible impact on bullion:** The U.S. presidential election that is approaching fast but it is unclear who will enter in White house after November 3. However Biden's trade policy is less protectionist than Trump's and he could end the trade wars with China (and other countries) that worried the markets so much last year. Hence, the possible effect of Biden's triumph on equities and gold market is ambiguous. Theoretically, given that the stock market rallied, while the price of the yellow metal plunged, after Trump's victory

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

In October, Bullion counter may continue to trade in the range. Nevertheless there are chances that it may also witness some selling from higher levels, but any dip towards support considered as buying opportunity. Gold may trade in range of 48500-53000 and Silver may trade in range of 59000-65000. On COMEX gold may trade in range of \$1850-\$1950 and Silver may trade in range of \$22.00-\$25.00.

in 2016, we should expect the reverse if Trump loses.

- Decision of Federal Reserve:** The policymaking Federal Open Market Committee adopted specific language to emphasize the inflation goal. With inflation running persistently below this longer run goal, the Committee will aim to achieve inflation moderately above 2 percent for some time so that inflation averages 2 percent over time and longer-term inflation expectations remain well anchored at 2 percent. The Committee expects to maintain an accommodative stance of monetary policy until these outcomes are achieved. The committee added that “it will be appropriate to maintain this target range until labor market conditions have reached levels consistent with the Committee’s assessments of maximum employment and inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time.
- Gold on discount:** Indian dealers continued to offer discounts for the sixth week on gold though price cuts eased as rates fell sharply this week. Indian dealers offered discounts of up to \$5 an ounce in September end over official domestic prices. Gold prices in India include 12.5% import duty and 3% GST. Gold demand in India may pick up a little ahead of the festive season and the recent price drop could encourage jewellers to build up inventory, a dealer said. India is the second biggest gold consumer in the world. Jewellers who have pinned their hopes on the upcoming festive season may have to be disappointed as gold prices may remain volatile in the festive season owing to the US presidential election, which is scheduled to be held on November 3.

Gold-Silver ratio



Source: Reuters

Analysis: Gold-silver ratio has rose from 69 to 80 level as Silver dropped more than gold. In October it trade in the range of 70-85.

October 2020

SPDR Gold trust holding



Source: goldprice.org

Analysis: SPDR gold share trade in the range of 170-190 in near term.

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