

**SPECIAL MONTHLY  
REPORT ON**

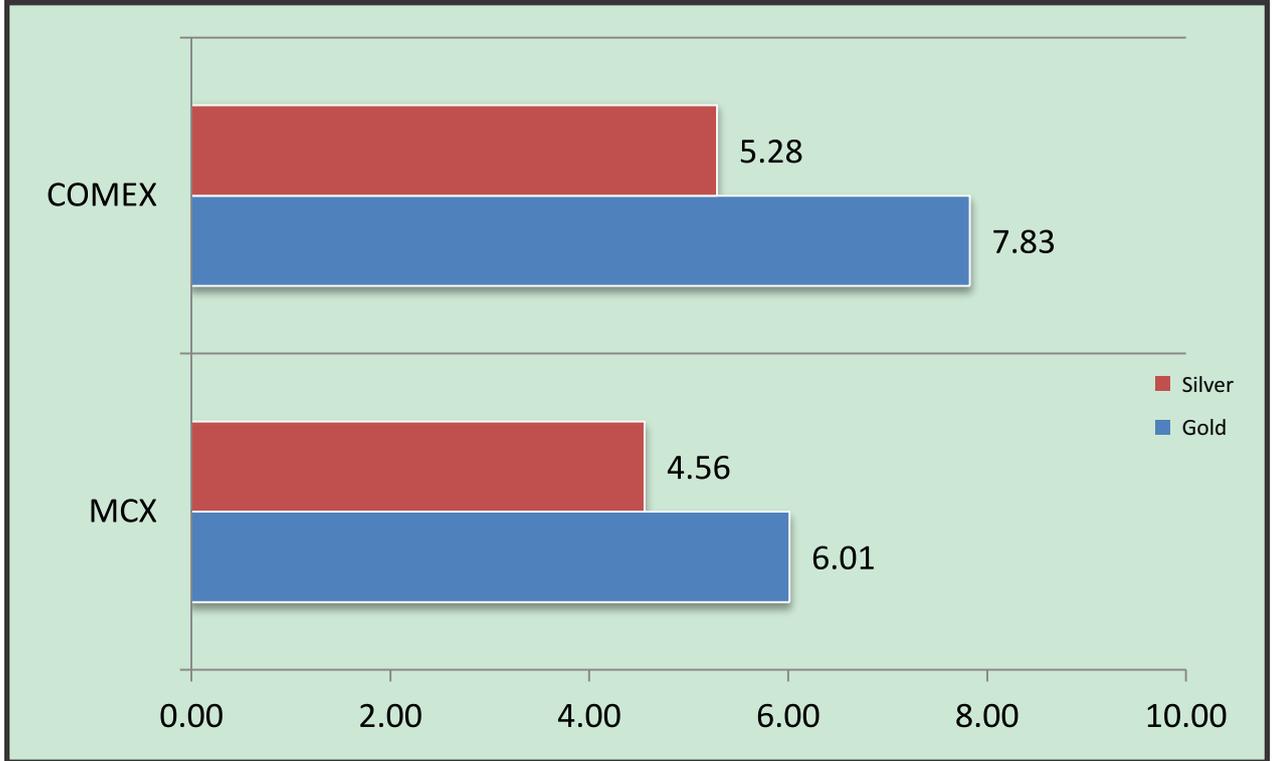
# **BULLIONS**

**JULY 2019**

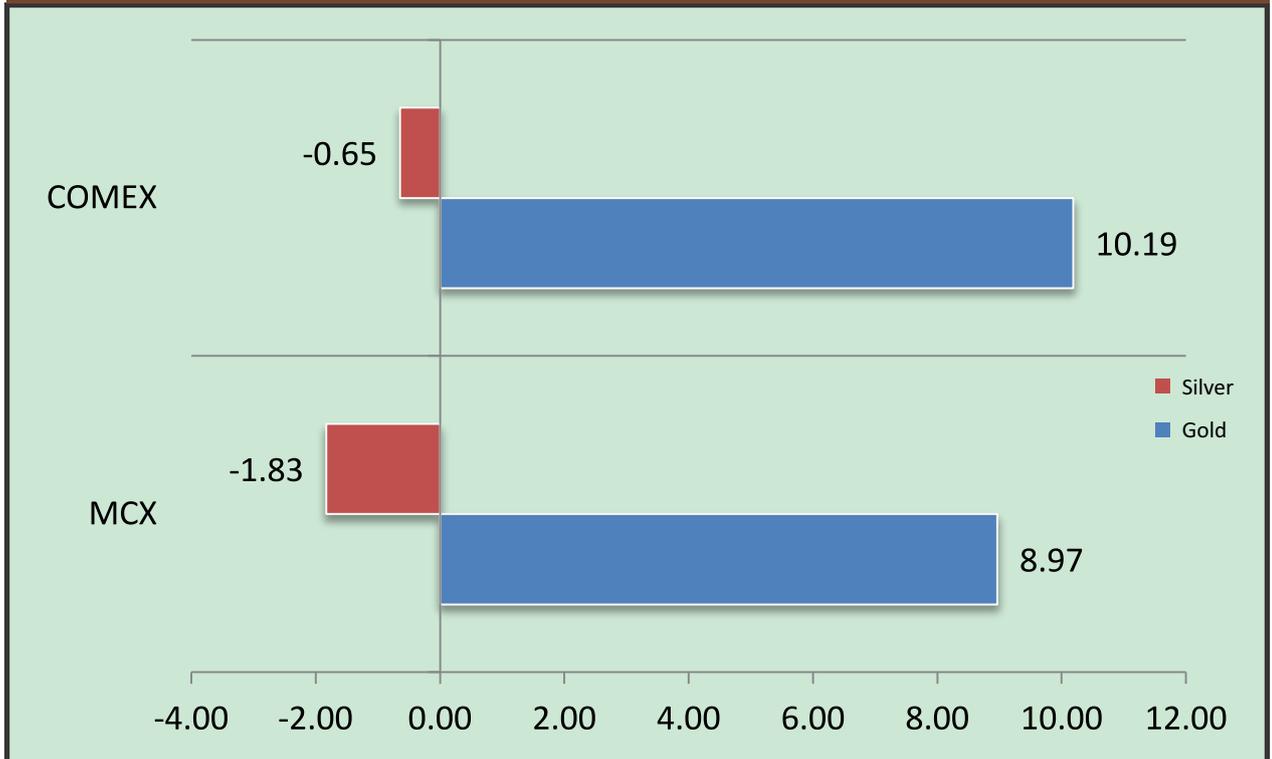


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**BULLIONS PERFORMANCE (June 2019) (% change)**



**BULLIONS PERFORMANCE (January - June 2019) (% change)**



## Overview

In the month of June, yellow metal continued its sharp upside momentum as dovish stance by the fed in last month meeting and geopolitical tensional in Middle East assisted the prices higher. U.S. Federal Reserve indicated that it could cut interest rates as early as July, prompting a sharp fall in the dollar and U.S. Treasury yields. The Fed stated that it was ready to battle growing global and domestic economic risks with interest rate cuts beginning as early as this month, as it took stock of rising trade tensions and growing concerns about weak inflation. One interesting fact was that the all-time favorite word “patient” was somewhere missing in the statements; Fed sees a lot of uncertainties in the market. U.S. benchmark 10-year Treasury yields dropped below 2% for the first time in more than 2-1/2 years, while other maturities fell to multi-year lows as well, a day after the Fed flagged interest rate cuts as early as July month. Overall gold traded in range of 32162-34893 in MCX and \$1308-1438.2 in COMEX. Silver traded in range of \$14.64-15.62 in COMEX and 36400-38590 in MCX. Meanwhile Russia’s gold reserves stood at 70.4 million troy ounces as of the start of June. Central banks made the headlines recently, by setting the dovish mood in the market. ECB governor Draghi stated that if inflation does not keep up with expectations we can see a rate cut. BOE also decided to maintain status quo and mentioned that if required changes in the rates can be made following Brexit issue around the corner.

## Outlook

Bullion counter can witness some profit booking at higher levels as it has witnessed sharp upside momentum last month on weaker greenback, fear of interest rate cut by Fed and Middle East tensions. Moreover geopolitical tensions in the Middle East can cap the downside. The United States and China agreed on Saturday to restart trade talks after President

Donald Trump offered concessions including no new tariffs and an easing of restrictions on tech company Huawei in order to reduce tensions with Beijing. The United States and China agreed to restart trade talks after President Donald Trump offered concessions including no new tariffs and an easing of restrictions on tech company Huawei in order to reduce tensions with Beijing. Meanwhile, US economy grew at 3.1% in line with expectation. The US dollar index has recovered marginally from 3-month lows as comments from Fed officials dented market expectations of immediate and aggressive rate cuts by Fed. San Francisco President Mary Daly stated that any rate cut would be to boost growth but it is difficult to say whether interest rate will be lower a year from now. Gold silver ratio hovered around historical high of above 93 as gold continue to outperform silver. But this ratio can dip lower towards 89-88. Gold, however, remains supported by dovish stance of Fed and other central banks, disappointing economic data from major economies and increased tensions between US and Iran. India's gold demand could fall in 2019 as a rally in local prices to a record high dents retail purchases during a key festive season.

**Bullions can witness some more profit booking at higher levels .Gold can test 32800 while facing resistance near 34200-34500 range. While Silver can test 36500 while facing resistance near 38800. While in COMEX Gold can test \$1355-1350 by facing resistance near \$1420 -1440. Comex Silver can test \$14.75 by taking resistance near \$15.75**

## Key News

### Gold hit highest in six years in COMEX last month

Gold is on a winning streak, shining brighter than before. Investors, households, traders and central banks around the globe are parking cash in it. Gold has rallied its highest in the last six years in the international market. On June 25, gold hit its highest in six years, selling at Rs 35,800 per 10 grams, clawing back to 2013 level when it had touched the highest due to government's desperate measure of an unprecedented import duty hike on the yellow metal. That came after the US taper tantrum or when US Federal Reserve Chairman Ben Bernanke hinted at the end of quantitative easing. That eventually did not happen but it was a big negative sentiment.

### Gold physical demand decline in US

Interest in physical gold bullion has been lackluster for the last two months, according to the latest sales data from the U.S. Mint. In June, the mint sold 5,000 ounces of gold in various denomination of America Eagle gold coins; in May the mint sold only 4,000 ounces of gold. For the first half of 2019, the U.S. Mint sold 109,000 ounces of gold, down 9.5% from 120,500 sold during the first half of 2018.

### Global central bank buying assisting gold higher

The Reserve bank of India (RBI) alone bought over 52-tonne gold in last fiscal to shore up its reserves and now it is in the league of 10 top gold holding central banks on the globe. Not only RBI, the central banks of Russia, China and Turkey have added gold to their foreign exchange reserves in a big way.

### China, US pause trade war with talks 'back on track'

The United States and China agreed to restart trade talks and that Washington would hold off on imposing new tariffs on Chinese exports. after the US taper tantrum or when US Federal Reserve Chairman Ben Bernanke hinted at the end of quantitative easing. That eventually did not happen but it was a big negative sentiment. Trade experts remain skeptical the U.S. and China will reach a trade agreement any time soon. Clashes over technology restrictions and alleged theft remain big sticking points, particularly regarding just how the U.S. will ease restrictions on Chinese telecom Huawei.

### Bar and coin demand

Bar and coin demand totalled 257.8t in Q1 2019, down 1.4% compared to the same period last year. This was largely due to a drop in Chinese demand and net disinvestment in Japan, which pushed global bar demand down 5% y-o-y. Official coin demand, however, had its best start since 2014, rising 12% y-o-y to reach 56.1t. Iran, Turkey, South Africa, the UK and US accounted for most of this growth.

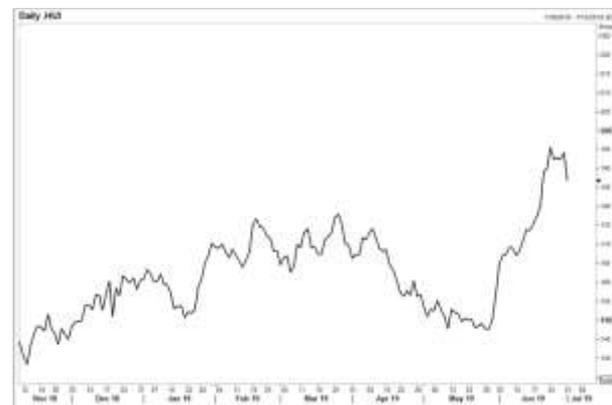
### Strongest Q1 net buying by central banks since 2013

The factors that drove central bank net purchases to a 50-year high in 2018 remained relevant at the start of 2019. Economic uncertainty caused by trade tensions, sluggish growth and a low/negative interest rate environment continued to weigh heavy on reserve managers' minds. And geopolitics still cause consternation. In the face of these challenges, central banks continued to accumulate gold.

### Keypoints of last month Fed meeting

The Federal Reserve’s decision to leave rates unchanged this week while signaling readiness to cut them if the economic outlook doesn’t improve soon. Fed Chairman Jerome Powell, through his statements since the June 18-19 Federal Open Market Committee meeting, and his fellow central bankers via the “dot plot” of their rate expectations, at least has nodded that one rate cut could be coming if conditions continue to weaken.

### SPDR Gold trust ETF (SPDR Gold shares)



Source: Reuters and SMC research

### Gold Silver ratio



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 can dip towards \$180-175 in near term.

### Analysis:

Gold silver ratio widened from to above 92 in the month of June .This ratio can move in range of 90-94 in the month of July 2019.

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