

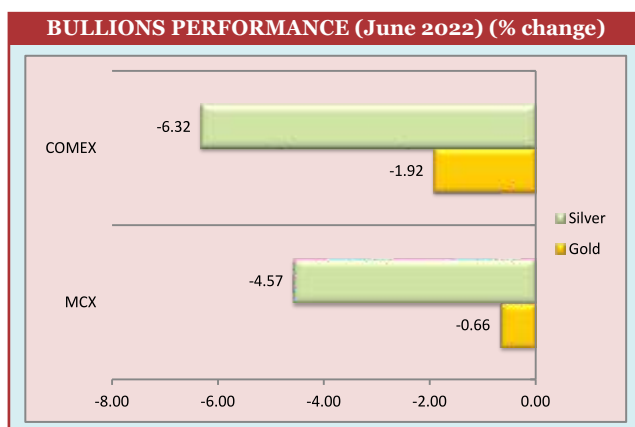
SPECIAL MONTHLY REPORT ON

BULLIONS

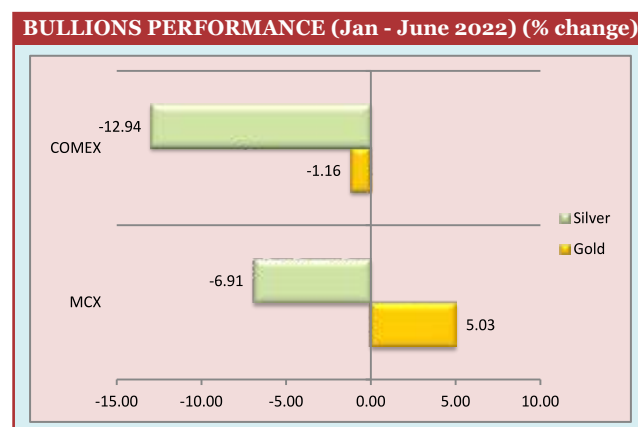
JULY 2022



Moneywise. Be wise.



Source: Reuters & SMC Research



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Gold prices registered its third consecutive monthly drop since January with almost 2% downside and Silver prices fell more than 6.25% in Comex pressured by a stronger dollar and as rising U.S. Treasury yields dented the metal’s appeal despite concerns over surging inflation. Bullion’s performance in the second quarter erased gains made earlier in the year, even as the Ukraine-Russia conflict lifted the safe-haven asset’s demand, with prices near the levels at the start of 2022 at just above \$1,800. Gold prices fell almost 6.4% in June quarter. The dollar index hovered near its recent two-decade peak and posted a 6% rise in June quarter, making gold more expensive for overseas buyers. The US data initially gave traders the idea that since inflation wasn’t any worse than May, maybe the Fed won’t be so aggressive, helping gold. However, the market is still firmly bearish and speculative sellers jumped in to push prices down. In India, a hike in the import duty by government on gold to 15 per cent from 10.75 per cent on June 30, 2022 and depreciation in INR provide support the gold prices and limited the loses.

Outlook

Looking ahead in July, 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. Investor preference for cash and wealth preservation could see gold lower before what should be an expected recovery when recession hits and central banks need to ease. Euro zone inflation hit another record high in June, firming the case for rapid ECB rate hikes starting this month. Bringing down high inflation will be painful and could even crash growth, but it must be done quickly to prevent rapid price growth from becoming entrenched, the world’s top central bank chiefs said at the European Central Bank’s annual conference in Portugal. Higher price in India due to hike in the import duty and slower economic growth may hamper gold demand in India which may weigh on international prices already struggling for some support.



Source: Reuters



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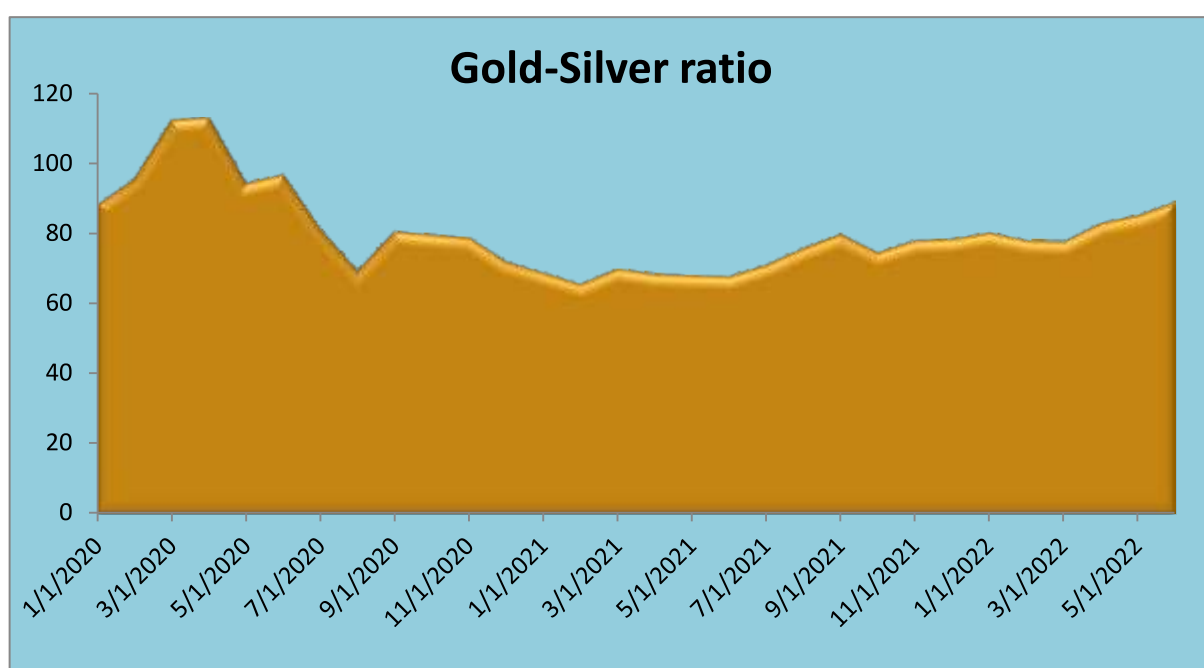
In July, Gold may trade in range of 50000-53500 and Silver may also witness huge volatility and trade in the range of 56000-61500 levels. On COMEX, gold may trade in range of \$1770-\$1840 and Silver may trade in range of \$17.00-\$22.00.

Major News

- The uncertainty surrounding the Russia-Ukraine conflict is still continuing. Worsening geopolitical tensions over Ukraine has bolstered the safe-haven appeal of bullion. Governments around the globe have imposed heavy sanctions against Moscow but have stopped short of direct intervention for fear of sparking a wider conflict.
- G7 leaders are expected to show a united front on supporting Ukraine for as long as necessary and cranking up pressure on the Kremlin, though they will want to avoid sanctions that could stoke inflation and exacerbate the cost-of-living crisis affecting their own people.
- After the latest data showed Euro-zone inflation rose to 8.6% in June. In the US, inflation which is almost at a 40-year high showed little immediate relief from the record pace of inflation but worst is not over and even in India the inflation numbers are showing an uptick. This will provide some support to bullion as hedge against inflation.

- However Investors are also concerned about a potential recession caused by monetary tightening, to combat the rising inflation
- The leaders of the G-7 nations recently announced a ban on Russian gold imports, a major export that rakes in tens of billions of dollars for Russia, to deny him the revenue to fund his war against Ukraine. The ban could create a supply shortage due to the unavailability of Russian gold, but this would not be a major driver of markets.
- Russia is the world’s second-largest producer of gold, according to the latest data from the World Gold Council, with around a 10% slice of the globe’s output.
- However, the sanction on Russian gold export is only agreed by the US government and western allies. It could be a good time for China and India to pick up more gold reserves as a way to prevent their currency going into a crash when the next currency crisis comes.

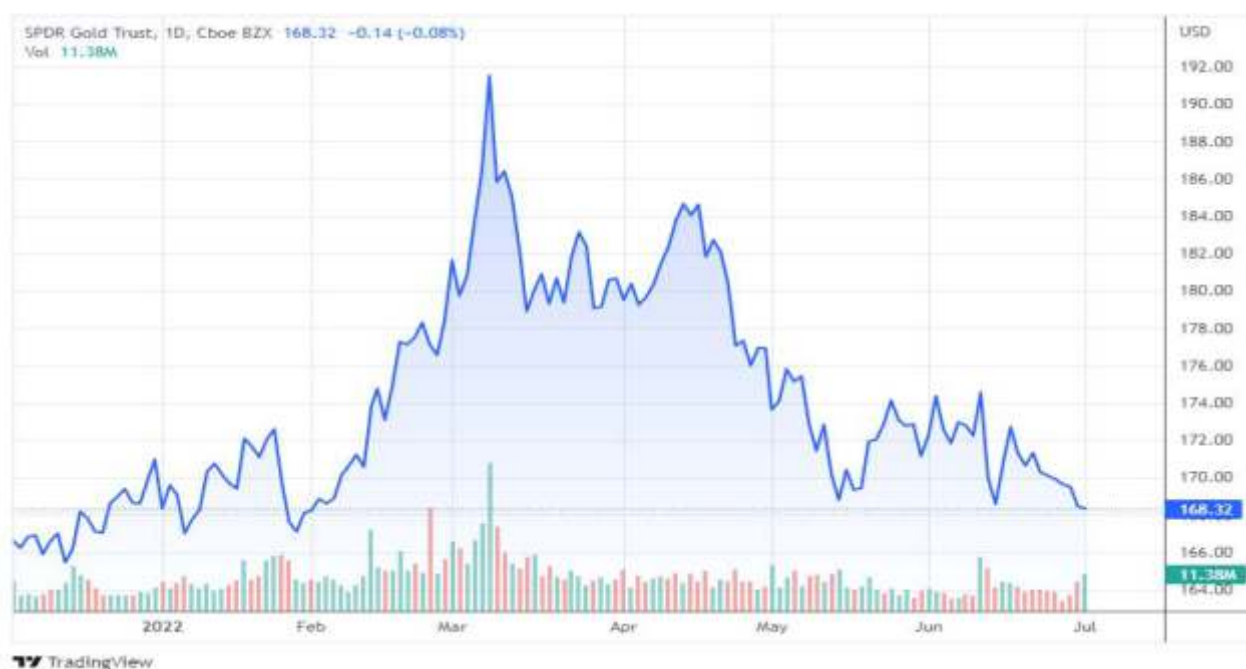
Gold-Silver ratio on COMEX



Source: WGC

Analysis: In June, gold-silver ratio increased from 84.2 to 89 as silver prices fell sharply than gold. Now the ratio may move in the range of 85-93 in July.

SPDR Gold trust holding



Source: goldprice.org

Analysis: SPDR gold share may trade in the range of 162-172 in near term.

SMC COMMODITY RESEARCH DESK



Corporate Office:
11/6B, Shanti Chamber,
Pusa Road, New Delhi - 110005
Tel: +91-11-30111000
www.smcindiaonline.com

Mumbai Office:
Lotus Corporate Park, A Wing 401 / 402,
4th Floor, Graham Firth Steel Compound,
Off Western Express Highway, Jay Coach
Signal, Goreagon (East) Mumbai - 400063
Tel: 91-22-67341600,
Fax: 91-22-67341697

Kolkata Office:
18, Rabindra Sarani, Poddar Court,
Gate No-4, 5th Floor, Kolkata-700001
Tel.: 033 6612 7000/033 4058 7000
Fax: 033 6612 7004/033 4058 7004

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